



RON GALPERIN
CONTROLLER

October 8, 2019

Honorable Eric Garcetti, Mayor
Honorable Michael Feuer, City Attorney
Honorable Members of the Los Angeles City Council

Re: The High Cost of Homeless Housing: Review of Proposition HHH

Los Angeles voters approved Proposition HHH in November 2016 by an overwhelming margin, authorizing City officials to issue up to \$1.2 billion in general obligation bonds to partially subsidize the development of up to 10,000 supportive housing units for individuals and families experiencing homelessness. HHH funds can also be used to support new affordable housing units, temporary shelters and service facilities. The ballot language of HHH provides that the City Controller shall conduct a financial audit of the program each year bonds are outstanding or proceeds remain unspent. The attached audit examines how the City is delivering on HHH to alleviate the most pressing issue facing Los Angeles.

As of last month, the City has conditionally awarded nearly all of the funds authorized by HHH to build 114 projects across Los Angeles, which are slated to provide a total of 5,873 supportive units for homeless residents and another 1,767 affordable units. However, more than two years after the first bond issuance and nearly three years since voters approved HHH, not one bond-funded unit has opened. While 19 projects are under construction and two are scheduled to open in the coming months, it is clear that the City's HHH program is not keeping pace with the growing demand for supportive housing and shelter. According to the Greater Los Angeles Homeless Count, homelessness in the City has increased by 40 percent to more than 36,000 people over the past four years.

Increased costs, timelines

There is currently a lack of clarity surrounding the City's goal for the number of supportive housing units to be built using HHH funds. This review found that, regardless of the actual target, high costs and slower than expected pre-development and construction timelines have significantly hindered the City's ability to achieve the ballot measure's intentions.

Building cost estimates skyrocketed from \$350,000 for a small studio or one-bedroom unit and \$414,000 for a larger unit, as projected in 2016, to a median cost of \$531,000 per unit today. More than 1,000 HHH units are projected to exceed \$600,000, with one project topping \$700,000 per unit.

The cost of building many of these units exceeds the median sale price of a market-rate condominium in the City of Los Angeles and a single-family home in Los Angeles County. Reasons for this include the number and complexity of funding sources required to complete an HHH project, the relatively limited pool of eligible developers, regulatory barriers and permitting challenges, and considerable construction and labor costs. An unusually high 35 to 40 percent of costs are so-called “soft costs” (development fees, consultants, financing, etc.), compared to just 11 percent for actual land costs.

The high price of development is linked with elongated approval and construction timelines. HHH projects are estimated to take between three to six years to complete — a schedule plainly out of step with the City’s urgent need to bring tens of thousands of people off the streets and into housing. In an attempt to speed up the pace, the City created a position to serve as a dedicated concierge for HHH projects, a welcome step that should have been taken sooner. City leaders have also set aside one-tenth of the bond proceeds to explore alternative housing models, such as modular homes and shared units with simplified financing mechanisms. This strategy aims to provide 975 additional supportive units and could lower per-unit costs, which would be positive. It remains to be seen whether the projects will live up to expectations, and evaluating outcomes will help determine what should be replicated and what to avoid.

Two additional financial issues of note are the premature sale of HHH bonds and the decentralized nature of HHH accounting authority. Because the City decided to sell so many bonds long before the proceeds would be used to build homeless housing, Los Angeles taxpayers incurred at least \$5.2 million in excess interest payments through June 2019. At this time, there is also an unnecessary division of labor in program accounting for the housing and facilities components of HHH, which should be centralized in one department.

Recommendations

In order to reduce Proposition HHH project costs and development timelines, prevent any potential future delays, and strengthen the bond program’s financials, the City should:

- Put a greater focus on innovative practices to save time and money, including ways to reduce costs on approved or conditionally-approved projects, and consider using any savings achieved for temporary shelters, bridge housing, hygiene centers and other service facilities to address more immediate needs.
- Streamline the permitting process and add needed personnel to ensure quicker development approvals and processing.
- Centralize accounting responsibility in one City department.

The recommendations in this review are intended to help the City’s Measure HHH program achieve its voter-mandated goals, while also ensuring that valuable taxpayer dollars are managed transparently and carefully.

Respectfully submitted,



RON GALPERIN
L.A. Controller

High Cost of Homeless Housing:

Review of Proposition HHH



RON GALPERIN
LA CONTROLLER

Table of Contents



Executive Summary	2
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I. Proposition HHH: Results to Date	10
Proposition HHH Status (October 2019)	11
Cost of Proposition HHH Housing Developments	15
Timelines for Proposition HHH Housing Developments	21
Strategies to Reduce Costs and Timelines for Proposition HHH Housing Developments	25
II. Proposition HHH: FY 2018 Financial Audit	31
Timing of Proposition HHH Bond Issuances	31
Decentralized Accounting Authority	32
<hr/>	
Appendix A – Proposition HHH Financial Audit Performed by Macias, Gini & O’Connell	33
Appendix B – Proposition HHH Housing Development Data	49



Tens of thousands of people spend each night in Los Angeles living on the streets, in temporary shelters, or in parked vehicles. Recently published data shows the crisis is becoming increasingly tragic throughout the region – more than **1,000** people experiencing homelessness in Los Angeles County will likely die this year. **The City, County, and service providers have sought to address the homelessness crisis through a combination of strategies, including street outreach and placement in temporary shelters or supportive housing – but it has been a particularly difficult challenge.**

Supportive housing is generally considered an effective strategy that combines subsidized housing with resources such as mental and physical health services, education and job training, and drug and alcohol treatment. Temporary shelters and other support facilities are also important tools because they can be used as a stopgap until housing becomes available. **Getting people off the streets requires increasing the supply of available housing units and shelter beds as quickly as possible.**

Nearly **80 percent** of voters approved Proposition HHH in November 2016. Proposition HHH authorized the City to issue **\$1.2 billion** in general obligation bonds to partially subsidize the development of supportive housing units for individuals and families who are experiencing homelessness or are at risk of becoming homeless.¹ Proposition HHH funds can also be used to develop affordable (i.e., income-restricted) housing units and facilities such as shelters, clinics, storage, and showers.²

Proposition HHH funds typically subsidize approximately **30 percent** of a project's total development costs. On a per unit basis, the maximum allowable Proposition HHH subsidy for supportive housing was **\$140,000** per unit during the most recent funding cycle and **\$220,000** per unit for previous funding cycles. The remaining funding comes from a combination of private sources and other public entities such as the federal government, State of California, or Los Angeles County. **Regardless of the funding source, it is critical that the City and developers work together to minimize development costs in order to build as many housing units as possible.**

¹ Proposition HHH tasked the Controller's Office with performing financial audits for every year in which bonds are outstanding, or any bond proceeds remain unspent. Appendix A includes a copy of the financial audit that was conducted by Macias, Gini & O'Connell. The audit covers FY2018, which was the first year a Proposition HHH bond was issued. Financial audits will be conducted for subsequent fiscal years, as required.

² At least **80 percent** of the funds must be used for supportive housing units and facilities and up to **20 percent** of Proposition HHH funds can be used to develop income-restricted units.

The City has prioritized using Proposition HHH funds to develop long-term solutions such as supportive and affordable housing. A much smaller share of Proposition HHH funding has been set aside to build facilities – such as shelters – that can help mitigate the homelessness crisis until supportive housing units are completed.³

As of September 30, 2019, the City has *conditionally* awarded nearly the entire amount authorized by the Proposition HHH ballot measure. There are additional projects seeking conditional funding which, if approved, will commit all remaining Proposition HHH funds.⁴

The City’s stated goal for the number of units to be built using Proposition HHH funds lacks clarity. Although the number of units did not appear in the language of the ballot measure, the development of **10,000** supportive housing units through Proposition HHH is generally understood as the target and appears on the Mayor’s website and City Council documents.⁵

In contrast, the City’s Housing and Community Investment Department (HCIDLA) – which is tasked with administering the program – has noted that Proposition HHH was intended to augment its ongoing efforts to build supportive housing. HCIDLA’s plan is to deliver a total of **10,000** supportive housing units within **ten** years through separate development pipelines – **7,000** through Proposition HHH and **3,000** through non-Proposition HHH sources.

Assuming all of the pending projects are approved, Proposition HHH will provide **7,640 total housing units, of which **5,873** will be supportive housing.**⁶ The following graphic provides an overview of these projects.

³ The City’s primary strategy for emergency housing solutions is through the Mayor’s A Bridge Home program. As of August 2019, the City has approved funds for **19** projects with a total of **1,450** beds, **247** of which have been completed. The City is assembling funding for an additional **610** beds.

⁴ The City is encouraging developers of previously-approved projects to replace a portion of their Proposition HHH commitment with funding from the County’s No Place Like Home program. To date, these efforts have reduced overall Proposition HHH funding commitments by approximately **\$20 million**. The City intends to use any additional Proposition HHH funds obtained through this process to initiate another call for projects, which would add more housing units.

⁵ The Mayor’s Proposition HHH overview [website](#) reads “...a **\$1.2 billion** bond to build approximately **10,000** units of supportive housing in the City of Los Angeles.” A January 2019 City Council [motion](#) (Council File 17-0090-S11) reads “...it was anticipated that the \$1.2 billion would fund approximately 10,000 supportive housing units.”

⁶ This does not include approximately **975** supportive housing units anticipated through the Proposition HHH Challenge due to uncertainty about whether each of those projects will be successful. Developers of those projects still need to enter into a Memorandum of Understanding with HCIDLA and secure locations



The large majority of projects are currently – or will soon be – in various stages of “pre-development,” which includes activities such as assembling funding, securing land use approval, and obtaining building permits. Three years into Proposition HHH, only **two** projects (**117** total units, **74** supportive units) currently under construction are scheduled to be completed by the end of 2019. **Meanwhile, tens of thousands of Angelenos experiencing homelessness continue to suffer in dangerous conditions.**

The performance of the program to date indicates that progress has been slow, and costs are high.

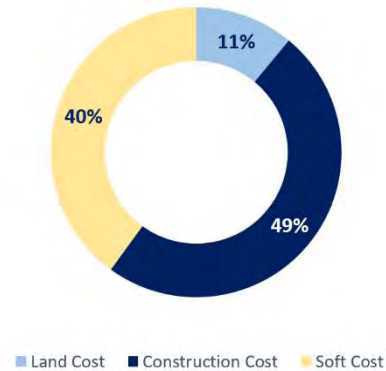
- The estimated timeline for completing a project from start to finish (i.e., conceptualization to occupancy) ranges from **three to six** years.
- The City’s Comprehensive Homelessness Strategy (January 2016) estimated that the cost of building each studio/one-bedroom unit would be **\$350,000**, and the cost of a two-bedroom unit or larger would be **\$414,000**. **While construction costs have increased across-the-board since these estimates were developed, the current costs far exceed the original projections.**
 - The current median cost per unit for projects in the Proposition HHH pipeline is **\$531,373**, and more than **1,000** units are projected to exceed **\$600,000**.⁷ One project includes units estimated at more than **\$700,000**.⁸

to build their projects. If all of these projects are completed as currently designed, there will be **6,848** supportive housing units developed through Proposition HHH.

⁷ These calculations do not include the **35** projects that are pending City approval.

⁸ The most expensive project, located in Koreatown/Pico-Union, exceeds **\$700,000** per unit and consists of **41** units with a mix of studios, one-, two-, and three-bedroom apartments.

- The median cost of **building** many of these units approaches – and in many cases, exceeds – the median **sale** price of a condominium in the City of Los Angeles (**\$546,000**) and of a single-family home in Los Angeles County (**\$627,690**).
- The cost of land in Los Angeles is often cited as a significant cost driver for Proposition HHH housing developments, but data provided by the City’s Housing and Community Investment Department (HCIDLA) shows that this point is likely overstated relative to the other categories for projects currently under construction.⁹



Developers are spending approximately 40 percent of overall project costs on soft cost components such as fees, consultants, and financing. These costs are nearly as much as the cost of labor and materials to build Proposition HHH-funded housing developments.

- In July 2017, the City issued the first Proposition HHH bond (**\$86.4 million**). Because the program was in its early stages and projects were in pre-development, only **\$3.7 million** in bond proceeds were spent during that fiscal year. Rather than spending down the available funds from the first bond issuance, the City issued the second Proposition HHH bond (valued at **\$276.2 million**) in July 2018.

Because the second bond was issued too early, City taxpayers incurred approximately **\$5.2 million** in unnecessary interest payments through June 2019 – without the expected project benefits. This concept, known as “negative arbitrage,” occurs when the interest rate a borrower pays on its debt is higher than the interest rate the borrower earns on the monies deposited or invested.

- No single City department is responsible for program-wide Proposition HHH accounting decisions. The lack of centralized authority may present challenges in the future, as additional funds are spent.

⁹ HCIDLA noted that some financing sources do not cover the cost of land. As a result, a higher Proposition HHH subsidy is often required to close the funding gap.

There are a number of factors that contribute to high costs and lengthy development timelines, such as funding complexity, regulatory barriers, a limited pool of eligible developers, labor costs, and cumbersome and lengthy permitting processes. **Even as the City solicited and developed ideas to tackle these issues in more innovative ways, it continued to award Proposition HHH funds before some of the ideas could fully blossom.**

- The Proposition HHH Challenge, initiated in January 2019, identified alternative construction and financing approaches that were not previously feasible under existing program regulations. The City recently identified **six** projects that aim to provide **975** supportive housing units within approximately **two years**. The proposed projects estimate unit costs between **\$200,000** and **\$479,000**, and an average of **\$351,965** per unit.

The projects are pending City approval and feature modular construction, shared housing, and simplified financing. If successful, these approaches have the potential to significantly lower costs and shorten development timelines. Given that some of these projects are a departure from the traditional supportive housing model, it is unclear whether future funding allocations from the State and the federal government will embrace these innovative approaches.

- The City passed the Permanent Supportive Housing Ordinance in April 2018 to reduce project costs and speed up land use approvals for Proposition HHH-funded projects. Existing land use entitlements such as the State’s Density Bonus program or the City’s Transit-Oriented Communities (TOC) program can be used to accomplish similar goals.¹⁰ However, these pathways do not account for the unique characteristics of supportive housing projects (e.g., smaller units, space for supportive services).

Almost immediately after the ordinance was passed, lawsuits were filed against the City. **As a result, projects in the Proposition HHH development pipeline have**

¹⁰ Many projects in the Proposition HHH development pipeline were approved through TOC. A recent lawsuit accused the City of violating the legislative procedures for amending the General Plan and zoning ordinance when it implemented the TOC guidelines. According to the City, there is currently no court order that prevents a previously-approved TOC project from moving forward, nor is there currently anything preventing developers from submitting TOC applications for new projects. However, the uncertainty caused by the litigation may cause developers already in the Proposition HHH pipeline to pursue a different pathway to obtaining land use approval. If the changes are significant, developers may need to re-apply for approvals from multiple funding sources, which would likely add costs and delay the project.

been unable to take advantage of the tailored benefits offered by the ordinance, such as higher thresholds for site plan reviews and increased allowable density.

The City recently partnered with the State and crafted a bill (AB 1197) to make it easier to build supportive housing and emergency shelters without fulfilling certain requirements of the California Environmental Quality Act (CEQA).¹¹

According to the City, the legislation will increase the likelihood that the lawsuit against the Permanent Supportive Housing Ordinance will be dismissed or otherwise favorably resolved.

- The Mayor’s Executive Directive #13 (issued in October 2015) sought to facilitate streamlined and prioritized case processing for all affordable housing developments. Despite the existence of the directive and other efforts to expedite projects, external stakeholders and respondents to a Proposition HHH survey (January 2019) provided critical feedback that much more work needed to be done. **One survey respondent described the City’s permitting processes as a “nightmare.”**

The City recently hired a dedicated staffer (“HHH Concierge”) to streamline permitting processes and ensure that Proposition HHH-funded projects are prioritized within each department’s existing workflow. In addition, the HHH Concierge is tasked with developing a tracking system to improve information sharing and notification protocols across City departments.

This is an encouraging development, but the City’s longstanding challenges with these issues are well-established and suggests that this should have occurred far sooner.

The performance of the program to date indicates that a course correction is required, before it is too late. Although the City has conditionally awarded nearly the entire pool of funds authorized by the ballot measure, there still may be opportunities to maximize Proposition HHH funds. Most Proposition HHH housing developments are in the early to middle stages of pre-development, and therefore, formal loan agreements (i.e., contracts) have not been executed. **The absence of a contract raises an important question – can the City reallocate funding to a different project or require developers to modify previously-approved projects?**

¹¹ The Governor signed the bill on September 26, 2019.

Recent events – such as the Proposition HHH Challenge and the potential of the City’s Permanent Supportive Housing Ordinance – suggest that previously-approved projects may warrant a fresh look. Making significant changes to projects that are at the latter stages of the pre-development process may not be feasible. However, the City should encourage developers to emulate what has been successful in other projects and incorporate emerging approaches to reducing Proposition HHH project costs and development timelines.

City Policymakers should consider the following recommendations in order to confront the growing magnitude and urgency of the homelessness crisis in Los Angeles.

Recommendation #1

Evaluate the feasibility of reallocating some Proposition HHH funds that have been conditionally funded, especially funds committed to housing projects with outlier development costs. This may free up funding for projects with lower per-unit costs or for temporary shelters and other facilities.

- a. If shared housing, prefabricated construction, or simplified financing are demonstrated to be meaningful and scalable strategies through the Proposition HHH Challenge, allow developers that have been previously awarded Proposition HHH funding to modify their project proposals.
- b. If AB 1197 facilitates timely resolution of ongoing litigation challenging the City’s Permanent Supportive Housing Ordinance, allow and encourage developers to reconfigure previously-approved HHH projects so that the unique characteristics of supportive housing units are incorporated into land use approvals.
- c. If previously-committed Proposition HHH funding becomes available, prioritize the development of facilities such as shelters, clinics, storage, and showers to help better manage the immediate needs of Angelenos experiencing homelessness.

Recommendation #2

Support the Proposition HHH Concierge’s efforts to streamline permitting and other processes to ensure that projects that are currently – or soon will be – in the development pipeline are completed as quickly as possible.

- a. Require City departments not covered by Executive Directive #13 (e.g., Water and Power, Fire, Engineering) to publicly and regularly report their progress on moving Proposition HHH housing developments to completion.

- b. If necessary, consider adding dedicated staff (either in City departments or on the Housing Crisis Response Team) to focus on these issues.

Recommendation #3

City Policymakers should formally establish centralized accounting authority for the Proposition HHH program.

I. Proposition HHH

Results to Date



The homelessness crisis in Los Angeles continues despite the City's efforts to combat the issue. In January 2019, the Los Angeles Homeless Service Authority's (LAHSA) estimated that there are **36,300** people experiencing homelessness in the City, which represents a **41 percent** increase from LAHSA's 2015 estimate.

A broad coalition of Angelenos voted to approve Proposition HHH in November 2016. **Proposition HHH authorized the City to issue up to \$1.2 billion in general obligation bonds to partially subsidize the development of supportive housing units for individuals and families who are experiencing homelessness or are at risk of becoming homeless.** Supportive housing combines affordable housing with services to assist residents, such as mental and physical health services, education and job training, and drug and alcohol treatment.

Proposition HHH funds can also be used to develop affordable (i.e., income-restricted) housing units and facilities such as shelters, clinics, storage, and showers. At least **80 percent** of the funds must be used for supportive housing units and facilities, and up to **20 percent** of Proposition HHH funds can be used to develop income-restricted units.

The City's financing model was to leverage bond proceeds from Proposition HHH to issue loans and help developers assemble funding from other sources. **Proposition HHH funds make up only a portion of each project's development costs – the other sources are private funds or tax credits and grants from the federal government, the State of California, or Los Angeles County.**¹²

Proposition HHH requires the Controller's Office to perform financial audits for every year in which bonds are outstanding, or any bond proceeds remain unspent.¹³ We also assessed the City's progress in delivering housing units in line with voter expectations.¹⁴

¹² In June 2019, the City's Housing and Community Investment Department (HCIDLA) reported that every dollar of Proposition HHH funds generated **\$2.40** in other funding sources (which includes tax credits awarded by HCIDLA).

¹³ See Appendix A for a copy of the financial audit that was conducted by Macias, Gini & O'Connell on behalf of the Controller's Office. The audit covers FY2018, which was the first year a Proposition HHH bond was issued. Financial audits will be conducted for subsequent fiscal years, as required.

¹⁴ See Appendix B for an overview of Proposition HHH housing developments. Proposition HHH housing data was obtained directly from the City's Housing and Community Investment Department and the City's Proposition HHH dashboard (<https://hcidla.lacity.org/hhh-progress>). This data was supplemented by information included in HCIDLA staff reports, City Council Files, and recurring reports submitted to the Proposition HHH Citizens and Administrative Oversight Committees.

Specifically, we sought to answer three questions as part of this review.

- Why do Proposition HHH housing developments cost so much?
- Why are Proposition HHH housing developments taking so long to complete?
- What should the City do?

The recommendations in this report are intended to help the City confront the magnitude and urgency of the homelessness crisis in Los Angeles.

PROPOSITION HHH STATUS (OCTOBER 2019)

As of September 30, 2019, the City has allocated nearly the entire amount authorized by the Proposition HHH ballot measure. There are additional projects seeking conditional funding which, if approved, will *commit* all remaining Proposition HHH funds.¹⁵

The City's stated goal for the number of units to be built using Proposition HHH funds lacks clarity. Although a specific number of units did not appear in the language of the ballot measure, the development of **10,000** supportive housing units through Proposition HHH is generally understood as the target and appears on the Mayor's website and City Council documents.¹⁶

In contrast, the City's Housing and Community Investment Department (HCIDLA) – which is tasked with administering the program – has noted that Proposition HHH was intended to augment ongoing efforts to build supportive housing. HCIDLA's plan is to deliver a total of **10,000** supportive housing units within **ten** years through separate development pipelines – **7,000** through Proposition HHH and **3,000** through non-Proposition HHH sources.

¹⁵ The City is encouraging developers of previously-approved projects to replace a portion of their Proposition HHH commitment with funding from the County's No Place Like Home program. To date, these efforts have reduced overall Proposition HHH funding commitments by approximately **\$20 million**. The City intends to use any additional Proposition HHH funds obtained through this process to initiate another call for projects, which would add more housing units.

¹⁶ For example, the Mayor's Proposition HHH overview [website](#) reads "...a **\$1.2 billion** bond to build approximately **10,000** units of supportive housing in the City of Los Angeles." A January 2019 City Council [motion](#) (Council File 17-0090-S11) reads "...it was anticipated that the \$1.2 billion would fund approximately 10,000 supportive housing units."

Assuming all of the pending projects are approved, Proposition HHH will provide **7,640** total housing units, of which **5,873** will be supportive housing.¹⁷ Our growing homeless population requires building more units as quickly as possible.

The City has allocated nearly all of the authorized Proposition HHH funds to developing long-term solutions such as supportive and affordable housing. Significantly less Proposition HHH funding has been set aside to build or acquire facilities (e.g., shelters, storage, transitional housing, navigation centers) that can help mitigate the homelessness crisis until housing units are completed.

Status of Proposition HHH housing developments

As of September 30, 2019, the City’s Housing and Community Investment Department (HCIDLA) reports that almost **\$800 million** has been *committed* to housing developments and the projects pending approval will push the City beyond **\$1 billion** in total Proposition HHH funding commitments. **However, most projects that received – or will receive – funding commitments have not been formally awarded loans using Proposition HHH funds and have not yet begun construction.**



The City’s process for committing Proposition HHH funds is divided into multiple phases and requires several layers of review and approval. HCIDLA issues a call for proposals three times a year to solicit proposals from developers seeking to build supportive

¹⁷ This does not include approximately **975** supportive housing units funded through the Proposition HHH Challenge due to uncertainty about whether each of those projects will be successful. Developers of those projects still need to enter into a Memorandum of Understanding with HCIDLA and secure locations to build their projects. If all of these projects are completed as currently designed, Proposition HHH will provide approximately **6,848** supportive units. The Proposition HHH Challenge will be discussed in greater detail later in this report.

housing with Proposition HHH funds. HCIDLA staff reviews applications to determine whether they met established criteria, including:

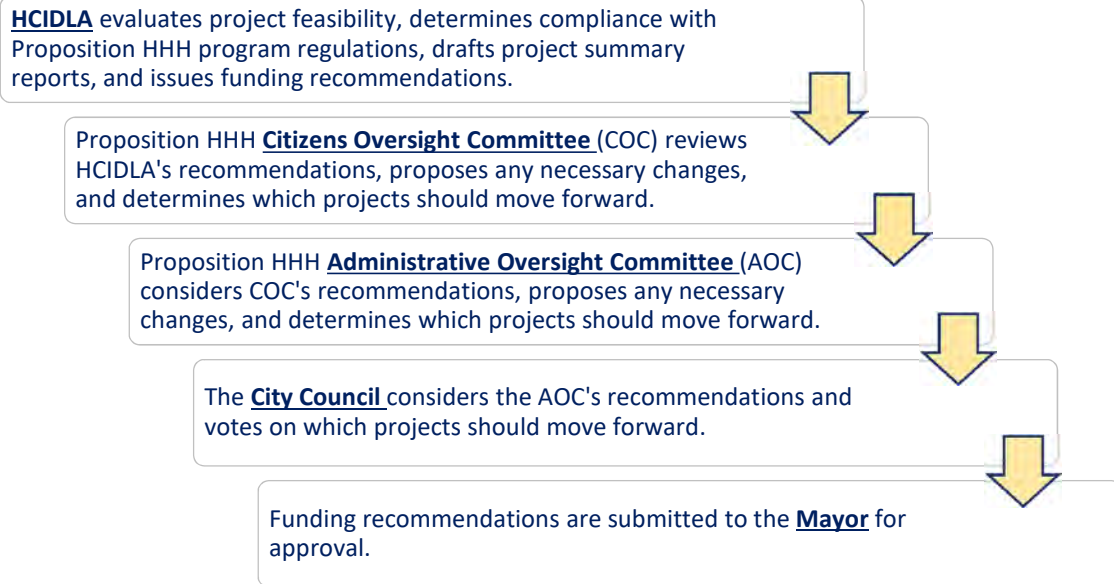
- verification that the developer secured a property on which a Proposition HHH project could be built;
- a determination that the project is financially feasible and demonstrates long-term viability as an affordable housing project; and
- confirmation that the developer and service provider successfully managed similar supportive housing projects in the past.

All supportive and affordable units funded by Proposition HHH are subject to a 55-year affordability covenant to ensure that they are restricted to the target population.

Proposition HHH regulations require all units have their own kitchen and full bathroom. In addition, housing developments must include community spaces and offices to allow for the provision of supportive services. Beyond these requirements, Proposition HHH program priorities encourage developers to build in a diverse range of locations that reflect the City's fair housing goals and within one-half mile of major transit stops and supportive facilities.

At the conclusion of this process, HCIDLA staff develop funding recommendations that are submitted to [multiple oversight committees](#), the City Council, and Mayor.¹⁸

¹⁸ The Proposition HHH Citizens Oversight Committee is comprised of four members appointed by the Mayor and three members appointed by the City Council. The committee is tasked with: (1) reviewing and proposing expenditures of bond proceeds under HHH; and (2) advising and making recommendations to the AOC on items relating to HHH, including policies and projects. The Proposition HHH Administrative Oversight Committee is comprised of the Mayor, the City Administrative Officer, and the Chief Legislative Analyst, or their respective designees. This committee is tasked with making recommendations to the Council about the expenditure of bond proceeds as well as HHH policies and projects.



Each project selected through this initial phase receives a letter of commitment from the City. **Letters of commitment provide developers with a two-year conditional funding award that is contingent on factors such as ongoing compliance with Proposition HHH regulations and obtaining the necessary funding from other sources to fully fund the completion of a project. The City designed the Proposition HHH program to provide letters of commitment early in the development process in order to improve developers' ability to compete for funding from non-City sources.**

Once developers assemble funding, obtain land use approvals, and are ready to move toward construction, their projects are subject to another round of review and approval – using the same general sequence outlined above – in order to be added to the City's annual Proposition HHH Project Expenditure Plan (PEP). **Projects must be added to the PEP before the City and developer can execute a formal loan agreement (i.e., contract) that authorizes the expenditure of Proposition HHH funds.**

Understanding the distinction between the legal authority provided through each of these documents (i.e., letters of commitment and loan agreements) is critical to evaluating the City's potential options for projects that have been conditionally funded.

Most Proposition HHH housing projects are in the early or middle development stages, and therefore, formal loan agreements have not been executed. The absence of a contract raises an important question – can the City reallocate funding to a different project or require developers to modify previously-approved projects? Although this may result in legal action by the affected developer, there may be opportunities to better utilize Proposition HHH funding.

Status of Proposition HHH facilities projects

The City Administrative Officer (CAO) – who oversees the facilities portion of the Proposition HHH program – recently requested an additional **\$10.5 million** in funding, which would increase the total budget for facilities projects to **\$60 million**. The CAO stated the funding shortfall was caused by higher than anticipated construction costs for four facilities projects that are being managed by the City’s General Services Department (GSD).¹⁹

If the request is approved (along with the pending housing developments), the additional funding will push the total amount of Proposition HHH funding commitments beyond the **\$1.2 billion** originally authorized by voters. The CAO’s proposed plan is to make up for the shortfall by using current and future interest proceeds that accrue after Proposition HHH bonds are issued.

Although the City allocated some of the Proposition HHH facilities funding for emergency housing solutions such as shelters and transitional housing, the City’s primary strategy for adding beds is through the Mayor’s A Bridge Home (ABH) program. The program was launched in April 2018 and sought to build crisis and bridge housing – primarily on land owned or leased by the City – until permanent supportive housing projects are completed.

The City has approved approximately **\$90 million** for the construction and multiyear operation of a total of **1,450** beds, of which **247** have been completed.²⁰ In addition, the City is in the process of allocating **\$34 million** for bridge housing projects that will provide an additional **610** beds.

COST OF PROPOSITION HHH HOUSING DEVELOPMENTS

Proposition HHH funds represent approximately **30 percent** of the aggregate total development cost across projects that have been approved by the City. On a per unit basis, the maximum allowable Proposition HHH subsidy for supportive housing was **\$140,000** per unit during the most recent funding cycle and **\$220,000** per unit for previous funding cycles. Although the City is not fully subsidizing each project, significant amounts of funding come from private sources or other government entities.

¹⁹ GSD staff, labor from hiring halls, and preapproved subcontractors are working on these projects.

²⁰ Operating costs for **four** of these projects are being supported by the County or other non-City sources.

These resources are finite; it is critical that the City and developers minimize development costs in order to build as many housing units as possible.

The City's Comprehensive Homelessness Strategy (January 2016) estimated that the cost of building each studio/one-bedroom supportive housing unit would be **\$350,000** and a two-bedroom unit or larger would cost **\$414,000**.²¹ While construction costs have increased across-the-board since these estimates were developed, the current costs far exceed the original projections.

Whether building market rate or supportive housing, development costs are typically driven by three major components: cost of acquiring land; labor and materials for construction; and soft costs (e.g., non-construction activities such as architectural, engineering, financing, legal services).

The Proposition HHH program regulations include multiple tools intended to contain costs throughout the development process.

- HCIDLA is tasked with approving all contracts related to Proposition HHH projects and has the authority to disallow any costs which it believes to be excessive, avoidable, or unwarranted.
- Developers and general contractors are required to award construction contracts through a competitive process that considers the cost.²²
- Within 60 days of issuance of a Certificate of Occupancy by the City, developers must submit a completed audit of construction costs performed by an independent Certified Public Accountant.

²¹ The estimates are attributed to LAHSA in an October 2015 report to the Mayor and City Council (Council File 15-1091). The **\$350,000** per unit estimate was also cited in news reports at the time of the November 2016 ballot initiative. Gale Holland, "L.A. Officials Launch Campaign for Homeless Housing Bond Measure," *Los Angeles Times*, September 12, 2016, <https://www.latimes.com/local/lanow/la-me-ln-homeless-bond-kickoff-20160912-snap-story.html>; Doug Smith, "Q&A: Proposition HHH Would Raise Funds to Build Homeless Housing in L.A.," *Los Angeles Times*, October 19, 2016, <https://www.latimes.com/local/california/la-me-ln-prop-hhh-ga-20161017-snap-story.html>; A Martinez, "10 Things You Need to Know About Measure HHH," *89.3 KPCC*, November 11, 2016, <https://www.scpr.org/programs/take-two/2016/11/04/52952/10-things-you-need-to-know-about-measure-hhh/>.

²² Developers who have not identified a general contractor at the time of application must conduct a competitive bidding process using a Request for Qualifications (RFQ) and award a contract based on price and other criteria. General contractors who are identified a part of the project team at the time of application must provide at least three subcontractor bids for each major trade such as carpentry, electrical, and plumbing.

Despite these tools, projected per-unit costs remain high. The median cost of ***building*** these units (**\$531,373**) approaches – and in many cases, exceeds – the median ***sale*** price of a condominium in the City of Los Angeles (**\$546,000**) and a single-family home in Los Angeles County (**\$627,690**).²³

Cost of housing developments under construction

Almost three years after voters approved Proposition HHH, only **19** projects are under construction. When completed, these developments will provide **1,260** total units, **892** of which are supportive housing units.

According to data provided by HCIDLA, more than **90 percent** of the units under construction are compact studios and one-bedroom apartments ranging from **275** to **750** square feet. The data below provides additional details about these projects.

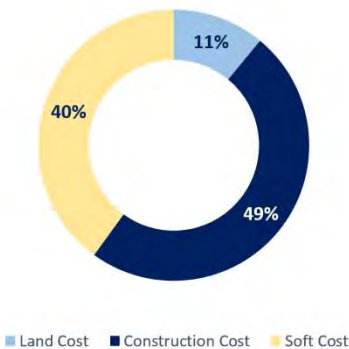
- Total development cost

Lowest	Average	Highest
\$11,440,379	\$34,607,610	\$55,050,829

- Per-unit development cost²⁴

Lowest	Average	Highest
\$346,678	\$521,861	\$690,692

- Cost breakdown – The cost of land in Los Angeles has been cited as a significant factor in the high cost of Proposition HHH projects, but the data shows that this is overstated relative to the other categories.²⁵ **As a result, finding ways to lower construction costs and soft costs is critical to maximizing the impact of Proposition HHH funding.**



²³ Zillow, *Los Angeles Home Prices and Values*, <https://www.zillow.com/los-angeles-ca/home-values/>; California Association of Realtors, *California Housing Market Update: Monthly Sales and Price Statistics August 2019*, <https://www.car.org/marketdata/data/countysalesactivity>.

²⁴ The average cost per unit was calculated by using the total development cost of projects under construction (**\$657,544,591**) and dividing it by the total number of units (**1,260**) in those projects.

²⁵ HCIDLA noted that some financing sources do not cover the cost of land. As a result, a higher Proposition HHH subsidy is often required to close the funding gap.

The high level of soft costs indicates that developers are spending large amounts on non-construction activities such as fees, consultants, and financing costs. The overall magnitude of construction costs underscores the importance of identifying alternate models such as pre-fabricated or shared housing.

- The total development cost of projects under construction has increased by **12 percent** since receiving the City’s conditional commitment, and **five** projects increased by more than **25 percent**.²⁶ These cost increases underscore the importance of getting units built as quickly as possible.

Cost of projects in pre-development

There are an additional **60** projects that have been conditionally funded by the City, and are in various stages of pre-development and have not yet begun construction. **Pre-development includes activities such as applying for funding, securing land use approvals, engaging the community, and obtaining permits – many of which occur concurrently.**

When completed, these projects will provide **4,150** total units, of which **3,240** will be supportive housing. Similar to the projects under construction, the large majority (**82 percent**) of the total units are compact studio or one-bedroom apartments.

- Total development cost

Lowest	Average	Highest
\$9,440,000	\$35,058,859	\$72,022,642

Given that many of these projects are in the early stages of a lengthy process, it is likely that total development costs will be even higher by the time construction begins.

- Per-unit development cost²⁷

Lowest	Average	Highest
\$228,908	\$511,386	\$701,072

²⁶ These estimates were calculated by comparing the original total development cost listed in each project’s HCIDLA staff report to updated costs provided by HCIDLA in August 2019. The number of units for each project in this analysis remained the same during this period.

²⁷ The average per unit development cost was calculated by using the total development cost of projects in pre-development (**\$2,122,251,550**) and dividing it by the total number of units (**4,150**) in those projects.

There are **15** housing developments in this group that exceed **\$600,000** per unit. The most expensive project, located in Koreatown/Pico-Union, exceeds **\$700,000** per unit and consists of **41** units with a mix of studios, one-, two-, and three-bedroom apartments.

- The projected cost breakdown for these housing developments is approximately **11%** land, **54%** construction, and **35%** soft costs.

Cost of housing developments pending City approval

The City is considering issuing conditional funding commitments to an additional **35** housing developments.²⁸ If approved, these projects would provide **2,230** total housing units, of which **1,741** would be supportive units. More than **80 percent** of these units are studios and one-bedroom apartments.

- Total development cost

Lowest	Average	Highest
\$11,657,496	\$31,841,156	\$61,952,493

Given that many of these projects are in the early stages of a lengthy process, it is likely that total development costs will be even higher by the time construction begins.

- Per-unit development cost²⁹

Lowest	Average	Highest
\$333,071	\$499,749	\$686,443

Four housing developments in this group that exceed **\$600,000** per unit.

²⁸ One of these projects was initiated outside the traditional call for projects model in order to identify an innovative approach to building housing on a City-owned property located at 11010 Santa Monica Blvd. For purposes of this analysis, this project was included. In addition, Council Districts 8 and 12 recently requested 30-day delays for three projects located within their districts, in order to conduct additional community outreach. For purposes of this analysis, these projects were included.

²⁹ The average per unit development cost was calculated by using the total development cost of projects pending Council approval (**\$1,114,440,463**) and dividing it by the total number of units (**2,230**) in those projects.

QUESTION 1: Why do Proposition HHH housing developments cost so much?

Although implementing a program of this magnitude and complexity carries inherent uncertainty, the original per unit cost projections (\$350,000 to \$414,000) have been inaccurate. City officials and other stakeholders have cited the following as factors contributing to the high cost of projects funded through Proposition HHH.

- **Funding complexity** – In addition to Proposition HHH funds, developers typically assemble several loans and grants to fully fund a project. On average, each development approved by the City had **seven** funding sources (including Proposition HHH). The complexity of this model adds costs and delays housing production because each funding source has its own set of policy priorities and approval timelines.
- **Regulatory framework** – Projects built using public subsidies typically include requirements that can increase soft costs due to the need for additional consulting services to address legal or accounting issues. In addition, projects built using Proposition HHH funds can incur higher construction costs due to accessibility requirements – each project must include at least **4 percent** of units set aside for persons with sensory impairments and **10 percent** of units for persons with mobility impairments.

Developers, general contractors, and subcontractors may instead choose to pursue market-rate projects that yield greater profits, thereby shrinking the overall pool of available firms and driving up costs.

- **Limited pool of eligible developers** – Proposition HHH regulations require lead developers to demonstrate a history of building and managing supportive housing projects. This reduces the overall level of risk and increases the likelihood that projects funded by the City are successful.

However, this requirement can also impede competition and prevent developers from outside the traditional supportive housing community – who may bring new and innovative ideas – from participating.

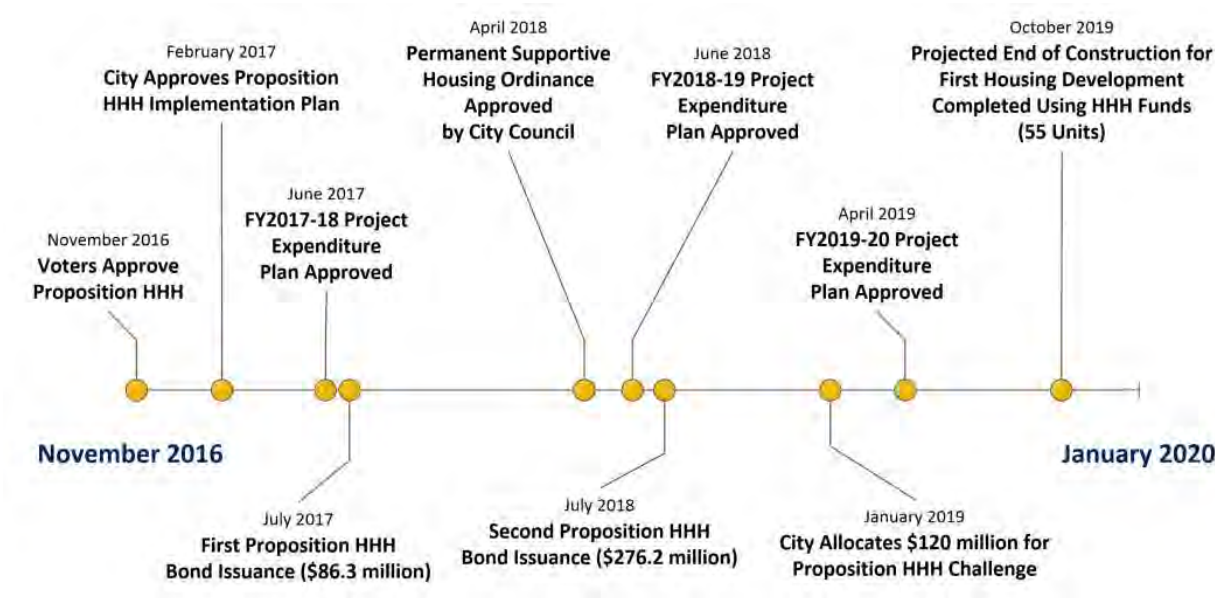
- **Labor costs** – Projects built using Proposition HHH funds are subject to State Prevailing Wage Requirements. In addition, housing developments of 65 or more units must include a project labor agreement that promotes the hiring and

continued employment of local residents, including those that may be classified as transitional or disadvantaged workers.

TIMELINES FOR PROPOSITION HHH HOUSING DEVELOPMENTS

Like most business endeavors, time is money when it comes to property development. HCIDLA estimates that the timeline for completing a Proposition HHH project from start to finish (i.e., conceptualization to occupancy) ranges from **three to six** years. **The length of time needed to complete these projects does not meet the level of urgency needed to match the magnitude of our homelessness crisis.**

The timeline below identifies significant milestones since Proposition HHH was approved by City voters in November 2016. Assuming it is completed on time, the first project will have taken nearly **three** years and may represent a best-case scenario because it was already in the HCIDLA development pipeline at the time of the ballot measure.



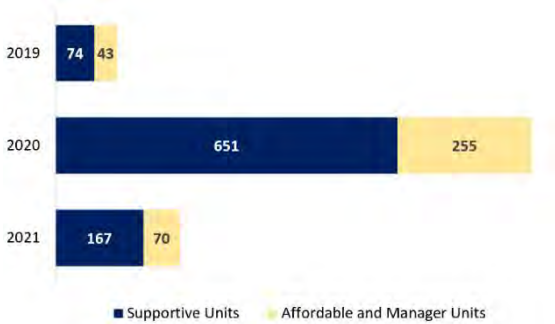
Timelines for housing developments under construction

In order to estimate timelines, we measured the length of time from when projects were conditionally approved by the City to the estimated construction completion date. These estimates do not include time spent on activities before applications were submitted to HCIDLA, or time spent on required tasks after the completion of construction (e.g., closing out the project and obtaining a certificate of occupancy).

- Timeline from conditional approval to the projected end of construction (years)

Fastest	Average	Slowest
1.9	2.8	3.5

- Although these projects will add **1,260** much-needed housing units in the coming years, the pace at which they are being completed falls significantly short of the urgency of the City's homelessness crisis.
- More than **90 percent** of these units are located in **seven** Council Districts (1, 4, 8, 9, 10, 13, 14).



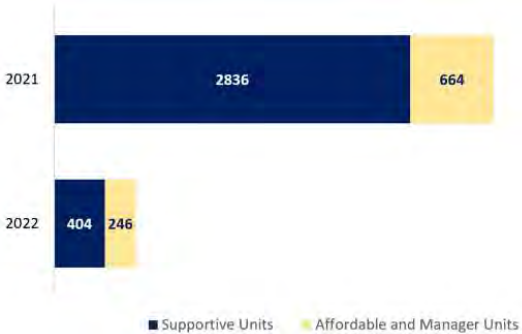
Timelines for projects in pre-development

The upcoming completion of the initial wave of Proposition HHH housing developments presents an opportunity for the City to apply lessons learned and ensure that future supportive housing projects can be built more quickly. However, the estimated timelines (measured from conditional approval to estimated completion of construction) for the **60** projects currently in pre-development indicate that these projects will likely take even longer to complete.

- Timeline from conditional approval to the projected end of construction (years)

Fastest	Average	Slowest
2.1	3.0	3.7

- Most of the **4,150** units in pre-development are not projected for completion until 2021.
- Almost **70 percent** of these units are located in Council Districts 1, 8, 9, 11, 13, and 14.



Timelines for projects pending City approval

Because these projects have not yet been approved by the City, it is not possible to develop timeline estimates using the same methodology as the previous sections. When completed, **70 percent** of the **2,230** total units will be distributed across Council Districts 1, 2, 6, 8, 9, 11, and 13.



Potential future delays for projects in pre-development

The City encouraged developers to build Proposition HHH housing developments near high-quality transit areas through the Transit Oriented Communities (TOC) program. The TOC concept was also approved by voters in November 2016, within the larger framework of Measure JJJ. **TOC allows developers to add density, reduce parking requirements, and utilize ministerial (i.e., administrative) approvals in exchange for including supportive or income-restricted housing units.** Accordingly, many projects in the Proposition HHH development pipeline were approved through TOC.

A recent lawsuit accused the City of violating the legislative procedures for amending the General Plan and zoning ordinance when it implemented the TOC guidelines.

According to the City, there is currently no court order that prevents a previously-approved TOC project from moving forward, nor is there currently anything preventing developers from submitting TOC applications for new projects.

However, the uncertainty caused by the litigation may cause developers already in the Proposition HHH pipeline to pursue a different pathway to obtaining land use approval. For example, a developer that has already received approval through TOC may decide to modify their project and utilize the State's density bonus program, or a different entitlement pathway. This would likely require the developer to obtain a new approval from the Department of City Planning. **If the changes are significant, developers may need to re-apply for approvals from multiple funding sources, which would likely add costs and delay the project.**

QUESTION #2: Why are Proposition HHH housing developments taking so long to complete?

Many of the cost drivers outlined in the previous section also contribute to extended timelines, just as extended timelines contribute to higher development costs. The City has initiated a number of strategies – such as the Permanent Supportive Housing Ordinance and Executive Directive #13 (“Support for Affordable Housing Development”) – to speed up the process by which Proposition HHH housing developments can be built.³⁰ Beyond those efforts, departmental liaisons are tasked with troubleshooting issues as they arise. **However, the lengthy development timelines suggest that much more work is needed.**

A major factor is the design of the program itself – Proposition HHH funds are awarded at the very early stages of the development process, and the developer must seek out and obtain the necessary funding to begin the project. Because developers are often seeking funding from other public entities with varying deadlines, the City provides up to two years to complete this phase. Projects cannot proceed without the necessary funding in place to successfully build and operate supportive housing.

Beyond obtaining funding, there are the permitting and approval processes that apply to any development project in the City. Developers must navigate departments such as City Planning, Building and Safety, Water and Power, Fire, and Public Works (Engineering and Contract Administration) to ensure that safe, high-quality projects are built in accordance with all applicable regulations. **Ensuring this framework operates efficiently and effectively is critical to the City’s efforts to reduce Proposition HHH development timelines.**

At the request of the Proposition HHH Citizens Oversight Committee, the City initiated a survey in late 2018 to obtain feedback from stakeholders about how to improve the Proposition HHH Supportive Housing Program. The City received **34** responses, and more than half were from developers who build affordable and market-rate housing.

The most frequent recommendation was for the City to streamline permitting processes across the various departments that are involved with reviewing and approving Proposition HHH housing projects. **One respondent described the City’s permitting processes as a “nightmare.”**

³⁰ The Permanent Supportive Housing Ordinance and Executive Directive #13 will be discussed in greater detail later in this report.

The Proposition HHH Citizens Oversight Committee and external stakeholders have called on the City to make improvements in these areas. As described below, the City recently took steps to build upon its ongoing efforts.

STRATEGIES TO REDUCE COSTS AND EXPEDITE TIMELINES FOR PROPOSITION HHH HOUSING DEVELOPMENTS

Effectively implementing a program of this magnitude requires extensive planning and the ability to pause and, if necessary, pivot to a different approach *before the available funding is depleted*. All viable alternatives need to be weighed against the growing urgency of our homelessness crisis.

As early as the middle of 2017, it was apparent that the cost of building Proposition HHH housing developments was higher than expected, and other issues were contributing to lengthy timelines. The City took action and identified ways to streamline processes, reduce development costs, and foster innovation. **But instead of waiting until those promising strategies could be fully implemented or other obstacles were removed, the City conditionally awarded nearly all of the remaining Proposition HHH funding.**

The strategies outlined below do not represent the entirety of the City's efforts to reduce costs and timelines. However, they have significant potential and may prove to be beneficial in the future using state and federal funding streams such as the No Place Like Home Program and the HOME Investment Partnerships Program. But those funding streams have their own regulations, and it is unclear whether the City will be able to unilaterally determine how those funds can be spent.

Given these constraints, the City's decision to push forward and conditionally award nearly all remaining funds represents a missed opportunity to maximize the impact of Proposition HHH.

Proposition HHH Challenge

In response to growing concerns from the Citizens Oversight Committee, the City set aside **\$120 million** in January 2019 and initiated the Proposition HHH Housing Challenge. The primary goal was to identify innovative construction and financing models to produce **1,000** new supportive housing units in less than **two** years.

The City issued a request for proposals in May 2019 and allowed respondents to submit project applications before obtaining site control. In order to be considered for funding, applicants needed to demonstrate that their proposed approach is not eligible or

feasible under current Proposition HHH program regulations. Development strategies submitted by applicants were evaluated by a multidisciplinary team of subject matter experts for creativity, achievability, and scalability.

The City recently selected six projects that aim to provide **975** supportive housing units at an estimated cost between **\$200,000** and **\$479,000** per unit, and an average of **\$351,965** per unit. **The projects approved by the City include modular construction, shared housing, and simplified financing. Although the long-term feasibility of these innovative approaches remains to be seen, they have the potential to significantly lower costs and shorten development timelines.**

The strategies outlined by the selected developers are promising; however, there is some uncertainty about whether they will all successfully reach the finish line. Each developer still needs to enter into a Memorandum of Understanding with HCIDLA and secure a location to build their projects before they can proceed. Given that some of these projects are a departure from the traditional supportive housing model, it is unclear whether future funding allocations from the State and the federal government will embrace these innovative approaches.

The City's plan to conduct an outside evaluation of the process and outcomes associated with the Proposition HHH Challenge will improve the ability to replicate successes and apply lessons from unsuccessful projects.

Permanent Supportive Housing Ordinance

The City initiated an effort to make changes to its zoning code to reduce project costs and speed up land use approvals for Proposition HHH-funded projects. Existing land use entitlements such as the State's Density Bonus program or the City's Transit-Oriented Communities (TOC) program can be used to accomplish similar goals. However, these pathways do not account for the unique characteristics of supportive housing projects (e.g., smaller units, space for supportive services).

In April 2018, the City passed the Permanent Supportive Housing Ordinance. Key components of the ordinance are outlined below.

- Facilitate ministerial approvals and increase the threshold that triggers site plan reviews from **50** units to **120** units (**200** units in the Greater Downtown Housing Incentive Area). Site plan review can increase the time needed to begin construction, create uncertainty, and increase total project costs due to time delays.

In addition, the Department of City Planning noted that the **50** unit threshold has historically pushed some developers to reduce their projects to **49** units or less in order to avoid site plan reviews, even though the zoning capacity allows for additional units.

- Increase the number of permanent supportive housing units that can be built by easing zoning restrictions that cause projects consisting entirely of studio apartments to reach their density limit before they fully maximize the amount of buildable space.
- Ensure that space used for supportive services and community gathering areas within each housing development do not count toward total allowable floor area (FAR) restrictions.
- Reduce development costs by eliminating the requirement to build parking spaces for supportive housing units. **Vehicle ownership is significantly lower among the target population, and removing the requirement can save tens of thousands of dollars per parking space, especially those located in underground garages.**³¹

Shortly after the ordinance was approved, two lawsuits were filed by community groups claiming that the City violated the California Environmental Quality Act (CEQA). **Given the uncertainty caused by the lawsuits, Proposition HHH permanent supportive housing projects have been unable to take advantage of the tailored benefits offered by the ordinance**

The City recently partnered with the State and crafted a bill (AB 1197) to make it easier to build supportive housing and emergency shelters without fulfilling certain CEQA requirements. **According to the City, the legislation will increase the likelihood that the lawsuit against the Permanent Supportive Housing Ordinance will be dismissed or otherwise favorably resolved.** The bill was signed by the Governor on September 26, 2019.

³¹ The target population is defined as “persons with qualifying lower incomes who: (i) have one or more disabilities, including mental illness, HIV or AIDS, substance abuse, or other chronic health condition, and are homeless as defined by any Los Angeles City, Los Angeles County, State of California, or Federal guidelines; or (ii) are chronically homeless, as defined by any Los Angeles City, Los Angeles County, State of California, or Federal guidelines.”

Executive Directive #13 and Proposition HHH Concierge

The Mayor issued Executive Directive #13 (ED13) in October 2015 to facilitate streamlined and prioritized case processing for all affordable housing developments. Although it was issued before Proposition HHH, the strategies outlined within ED13 apply to supportive housing developments. Three departments were included in ED13 – City Planning, Building and Safety, and HCIDLA.

Despite the existence of ED13 and other efforts to expedite projects, external stakeholders and respondents to the Proposition HHH survey completed in January 2019 provided critical feedback that indicated more needed to be done.

- Expand the scope of authority of Executive Directive 13 by establishing priority case processing in other City departments such as Engineering, Department of Water and Power, and Fire Department.
- Increase the number of dedicated staff across multiple departments to shepherd supportive housing projects through the approvals process.
- Create a “one-stop-shop” for all permanent supportive housing projects. This interdepartmental task force would help expedite and prioritize permitting.

The City recently received a **\$1.5 million** grant from United Way of Greater Los Angeles to create and fund the Housing Crisis Response Team within the Mayor’s Office of Citywide Homeless Initiatives. The funding covers a three-year period, and the team’s primary function is to oversee and implement the Proposition HHH Challenge.

The grant also provided funding for the establishment of an Affordable Housing Production Manager position (also referred to as the “HHH Concierge”). **The HHH Concierge is responsible for designing policies and coordinating with HCIDLA staff, developers, and City departments to move projects to completion. In addition, the HHH Concierge is tasked with the development of a tracking system to improve information sharing and notification protocols across City departments.**

The establishment of this position is encouraging and increases the likelihood that the **60** projects currently in pre-development will begin and complete construction as quickly as possible. **However, given the City’s longstanding challenges in these areas, it is unclear why this did not occur sooner.**

QUESTION #3: What should the City do?

The performance of the program to date (i.e., high costs and lengthy development timelines) suggests that a course correction is required. Proposition HHH will eventually increase the overall supply of permanent supportive housing, but the City's decision to conditionally award nearly all of the remaining funds without taking advantage of some of the strategies outlined above may represent a missed opportunity.

Recent developments indicate that some Proposition HHH funds that have been conditionally awarded may warrant a fresh look, either today or in the future. For example, the Proposition HHH Challenge has the potential to significantly reduce per-unit development costs and complete construction within two years. In comparison, the City's traditional approach provides developers with two years to assemble funding. Similarly, developers who previously obtained land use entitlements may benefit from the Permanent Supportive Housing Ordinance, if it becomes available.

Most Proposition HHH housing projects are in the early or middle pre-development stages, and therefore, formal loan agreements have not been executed. This may provide an opportunity to reevaluate planned construction and financing activities. Making significant changes to projects that are at the latter stages of the pre-development process may not be feasible. However, the City should encourage developers to emulate what has been successful in other projects and incorporate emerging approaches to reducing Proposition HHH project costs and development timelines.

City Policymakers should consider the following recommendations in order to maximize the impact of Proposition HHH funds.

Recommendation #1

Evaluate the feasibility of reallocating some Proposition HHH funds that have been conditionally funded, especially funds committed to housing projects with outlier development costs. This may free up funding for projects with lower per-unit costs or for temporary shelters and other facilities.

- a. If shared housing, prefabricated construction, or simplified financing are demonstrated to be meaningful and scalable strategies through the Proposition HHH Challenge, allow developers that have been previously awarded Proposition HHH funding to modify their project proposals.

- b. If AB 1197 facilitates timely resolution of ongoing litigation challenging the City's Permanent Supportive Housing Ordinance, allow and encourage developers to reconfigure previously-approved HHH projects so that the unique characteristics of supportive housing units are incorporated into land use approvals.
- c. If previously-committed Proposition HHH funding becomes available, prioritize the development of facilities such as shelters, clinics, storage, and showers to help better manage the immediate needs of Angelenos experiencing homelessness.

Recommendation #2

Support the Proposition HHH Concierge's efforts to streamline permitting and other processes to ensure that projects that are currently – or will soon be – in the development pipeline are completed as quickly as possible.

- a. Require City departments not covered by Executive Directive #13 (e.g., Water and Power, Fire, Engineering) to publicly and regularly report their progress on moving Proposition HHH housing developments to completion.
- b. If necessary, consider adding dedicated staff (either in City departments or on the Housing Crisis Response Team) to focus on these issues.

II. Proposition HHH FY2018 Financial Audit



Proposition HHH tasks the Controller's Office with performing financial audits for every year in which bonds are outstanding, or any bond proceeds remain unspent. The financial audit for FY2018 did not identify any significant irregularities or improprieties; however, there are two specific issues that needed to be resolved.

We will continue to monitor these issues moving forward and conduct subsequent financial audits, as required.

TIMING OF PROPOSITION HHH BOND ISSUANCES

As part of our review, we found that the City issued a Proposition HHH bond too early and incurred debt before projects were ready to begin using the funds.

The City issued its first Proposition HHH bond (**\$86,370,000**) in July 2017. Due to the length of time it takes for projects to begin construction, only **\$3,676,308** was actually spent during that fiscal year. Rather than spending down the remaining available funds from the initial bond issuance, the City subsequently issued another bond (**\$276,200,000**) in July 2018. As of June 30, 2019, the City spent only **\$26.8** million of the first bond and **\$35.7** million of the second bond.³²

While the City Administrative Officer's (CAO) Debt Management Group sought to issue the 2018 Proposition HHH bond in order to have funds available for a speedy rollout of planned projects, it is challenging to predict when bond proceeds will be needed for actual disbursement. Conditional commitments of Proposition HHH funds are made early in the process, and developers must secure additional funding and successfully navigate the City's permitting framework before the loan is executed and construction begins. As a result, only a small portion of the available Proposition HHH bond proceeds have actually been spent.

Although the City is currently earning an estimated average annualized rate of **1.80%** for the unused HHH bond proceeds, it is paying approximately **3.45%** for Proposition HHH-issued bonds, resulting in an estimated loss of **1.64%**.³³ **As of June 30, 2019, the July 2018 bond issuance triggered an estimated \$5.2 million in early net interest expense**

³² This data was extracted from the City's Financial Management System (FMS).

³³ This concept is known as "negative arbitrage" and occurs when the interest rate a borrower pays on its debt is higher than the interest rate the borrower earns on the monies deposited or invested.

(estimated interest expense to be paid to bondholders less estimated interest earned on the issued bond proceeds) being incurred by City property taxpayers.

Going forward, the City should spend down proceeds from these previously-issued bonds and evaluate whether there are enough projects that are likely to begin construction before another Proposition HHH bond is issued. The City acknowledged these issues and decided to forego issuing an additional Proposition HHH bond in 2019.

DECENTRALIZED ACCOUNTING AUTHORITY

Another issue we identified during the FY2017-18 financial audit was a structural weakness where no single City department is responsible for program-wide accounting decisions.

HCIDLA is responsible for managing the housing component of the Proposition HHH program, as well as fulfilling the corresponding accounting activities. However, administration of the facilities component of the Proposition HHH program is split between the Office of the City Administrative Officer, which oversees program operations, and the Board of Public Works Office of Accounting, which is responsible for accounting-related activities.

This arrangement caused confusion during the audit, demonstrated a lack of consistent understanding of the departments' roles and responsibilities, and created unnecessary financial risk. We recommended clarifying this process, and the City made some improvements. However, the lack of centralized accounting authority remains and may present problems in the future, as additional funds are spent.

Recommendation #3

City Policymakers should formally establish centralized accounting authority for the Proposition HHH program.



**CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS**
(Special Revenue Fund, Capital Projects Fund and
Debt Service Fund of the
City of Los Angeles)

Independent Auditor's Reports
and Financial Statements

From Inception to June 30, 2018



Certified
Public
Accountants

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
For the Year Ended June 30, 2018

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balance	4
Notes to the Financial Statements	5
Other Report:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13



Certified
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Accountants

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition HHH Special Revenue Fund, Capital Projects Fund and Debt Service Fund (collectively the "Funds") of the City of Los Angeles, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Mossack & Co., Incorporated LLP
200 South Flower Street, Suite 300
Los Angeles, CA 90012

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition HHH Special Revenue Fund, Capital Projects Fund and Debt Service Fund as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the accompanying financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 on our consideration of the City's internal control over financial reporting as it relates to the Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance related to the Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance related to the Funds.

Macias Gini & O'Connell LLP

Los Angeles, California
October 2, 2019

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
 Balance Sheet
 June 30, 2018

	GOVERNMENTAL FUNDS			
	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Pooled Investments	\$ 71,106,371	\$ 12,261,906	\$ 6,825,145	\$ 90,193,422
Loans Receivable (Net of Allowance for Uncollectibles of \$0)	3,676,308	-	-	3,676,308
Taxes Receivable (Net of Allowance for Uncollectibles of \$36,973)	-	-	957,752	957,752
Investment Income Receivable	292,492	47,846	23,320	363,658
TOTAL ASSETS	<u>\$ 75,075,171</u>	<u>\$ 12,309,752</u>	<u>\$ 7,806,217</u>	<u>\$ 95,191,140</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 11,602	\$ -	\$ 11,602
Obligations Under Securities Lending Transactions	1,290,536	211,105	122,935	1,624,576
Other Liabilities	392,229	64,161	37,364	493,754
TOTAL LIABILITIES	<u>1,682,765</u>	<u>286,868</u>	<u>160,299</u>	<u>2,129,932</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	-	-	618,410	618,410
Interest	60,108	9,833	5,634	75,575
Loan Interest	12,005	-	-	12,005
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>72,113</u>	<u>9,833</u>	<u>624,044</u>	<u>705,990</u>
FUND BALANCES				
Restricted	73,320,293	12,013,051	7,021,874	92,355,218
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 75,075,171</u>	<u>\$ 12,309,752</u>	<u>\$ 7,806,217</u>	<u>\$ 95,191,140</u>

See accompanying notes to the financial statements.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	GOVERNMENTAL FUNDS			
	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	\$ -	\$ -	\$ 8,575,678	\$ 8,575,678
Investment Earnings	1,003,979	164,230	38,643	1,206,852
Change in Fair Value of Investments	(1,156,023)	(189,102)	(110,122)	(1,455,247)
Other	72	-	-	72
TOTAL REVENUES	<u>(151,972)</u>	<u>(24,872)</u>	<u>8,504,199</u>	<u>8,327,355</u>
EXPENDITURES				
Community Development	755,572	-	-	755,572
Capital Outlay	-	104,241	-	104,241
Cost of Issuance	427,011	69,850	-	496,861
Debt Service:				
Interest	-	-	1,567,497	1,567,497
TOTAL EXPENDITURES	<u>1,182,583</u>	<u>174,091</u>	<u>1,567,497</u>	<u>2,924,171</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,334,555)</u>	<u>(198,963)</u>	<u>6,936,702</u>	<u>5,403,184</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			85,172	85,172
Transfers Out	(73,198)	(11,974)	-	(85,172)
Issuance of Long-term Debt	74,227,836	12,142,164	-	86,370,000
Premium on Issuance of Long-term Debt	500,210	81,824	-	582,034
TOTAL OTHER FINANCING SOURCES	<u>74,654,848</u>	<u>12,212,014</u>	<u>85,172</u>	<u>86,952,034</u>
NET CHANGE IN FUND BALANCE	<u>73,320,293</u>	<u>12,013,051</u>	<u>7,021,874</u>	<u>92,355,218</u>
FUND BALANCES, JULY 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2018	<u>\$ 73,320,293</u>	<u>\$ 12,013,051</u>	<u>\$ 7,021,874</u>	<u>\$ 92,355,218</u>

See accompanying notes to the financial statements.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1 – BACKGROUND

In November 2016, registered voters of the City of Los Angeles, California (City) approved Proposition HHH, Homelessness Reduction and Prevention, Housing and Facilities Bond (Bond) authorizing the issuance and sale of taxable general obligation bonds not to exceed \$1,200,000,000 to be used to finance the acquisition or improvement of real property to provide: (a) supportive housing for extremely low income or very low income individuals and families who are homeless or chronically homeless, which includes facilities from which assistance and services, such as mental health treatment, health care, drug and alcohol treatment, education and job training, may be provided; (b) temporary shelter facilities, storage facilities, shower facilities and other facilities to be used to provide supportive services or goods to, or otherwise benefit, those who are homeless, chronically homeless or at risk of homelessness; (c) affordable housing, including veterans housing, for extremely low income, very low income and/or low income individuals and families, including those who are at risk of homelessness; and (d) associated infrastructure and landscaping, including utilities, sidewalks and streets to be used in connection with the aforementioned housing units and other facilities; any of which may be operated, managed, owned or used by the City, other public entities, nonprofit entities or private entities, as permitted by law.

The table below sets forth the amount of Bonds authorized and issued pursuant to Proposition HHH (Prop HHH) as of June 30, 2018:

	Amount	Date
Voter authorization	<u>\$ 1,200,000,000</u>	November 8, 2016
Bonds issued:		
Series 2017-A Bond	<u>86,370,000</u>	July 13, 2017
Authorized but unissued	<u>\$ 1,113,630,000</u>	

The following projects were included in the Series 2017-A Bond: 88th & Vermont, PATH Metro Villas Phase 2, Six Four Nine Lofts, McCadden Plaza Youth Housing, Casa Del Sol, Flor 401 Lofts, Rise Apartments, SP 7 Apartments the Pointe on Vermont, South Campus, CD 8 Navigation Center, 88th & Vermont Youth and Community Center, Joshua House Health Center, Corner of Hope and Homeless Vets at the Marion. Subsequent to June 30, 2018, agreements with Corner of Hope and Homeless Vets at the Marion were not executed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial position and the changes in financial position of the Proposition HHH Funds (Funds) and do not purport to, and do not, present fairly the City's financial position as of June 30, 2018 and the changes in its financial position of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Funds are comprised of the following governmental funds:

The special revenue fund is used to account for financial resources for loans to developers for financing of permanent supportive housing, affordable housing and supportive facilities for the homeless.

The capital projects fund is used to account for financial resources for capital outlays for the City's supportive housing facilities for homeless activities.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
 Notes to the Financial Statements (Continued)
 For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The debt service fund is used to account for the payment of the maturing principal and interest from property tax collections.

The Funds' activities are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if collected within 60 days of the end of the current fiscal period. Revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures are recorded only when payment is due.

Cash and Pooled Investments

Cash and pooled investments represents the Funds' allocated portion of the City's pooled cash and investments. Cash and pooled investments are stated at fair value based on quoted market prices or values of comparable investments, except for money market investments that have remaining maturities of one year or less at the time of purchase, which are reported at amortized cost. Interest earned on such pooled investments is allocated to the City funds based on each fund's average daily cash balance during the allocation period.

As permitted by the California Government Code (Code), the City engages in securities lending activities. The Funds' share of assets and liabilities arising from the reinvested cash collateral has been recognized in the financial statements.

Loans Receivable

Prop HHH loans are recorded when a warrant is issued for an approved expenditure of the project. Interest at the rate of three percent (3%) per annum accrues on the principal amount outstanding from the date of the warrant, until the loan is repaid. No allowance for doubtful loans receivable has been established for loans during construction.

Deferred Inflows of Resources

A deferred inflow of resources is defined as an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measurable and available. Deferred inflows of resources reported on the balance sheet represent revenues that were not received within the City's 60-day availability period.

Other Liabilities

Other liabilities represents the Funds' share of the Pool's pending investments trade at year-end.

Fund Balances

The balance sheets of governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The Funds only have restricted fund balances at June 30, 2018. Restricted fund balance represents amounts when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
 Notes to the Financial Statements (Continued)
 For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – CASH AND POOLED INVESTMENTS

The Funds maintain their cash in the City's cash and pooled investments (the Pool). The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2018, the Funds' share of the Pool was \$90,193,422 which represents approximately 1.00% of the Pool. There are no specific investments belonging to the Funds. The Pool is not rated as of June 30, 2018. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200 or at www.lacontroller.org.

City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility by the Investment Advisory Committee.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investments and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the Pool is available for lending. The City receives cash, U.S. government securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the investment policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 60 days.

Earnings from securities lending accrue to the Pool and are allocated on a pro-rata basis to all Pool participants.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 3 – CASH AND POOLED INVESTMENTS (CONTINUED)

The Funds participate in the City's securities lending program through the pooled investment fund. The Funds recognize their proportionate share of the cash collateral received for securities loaned and the related obligation for the general investment pool. At June 30, 2018, the Funds' portion of the cash collateral and the related securities lending obligation was \$2,624,576. The Funds' portion of the securities purchased from the reinvested cash collateral at June 30, 2018 was \$2,624,576. Such securities are reported at fair value. The Funds' portion of the noncash collateral at June 30, 2018 was \$2,824,477.

During the fiscal year, collateralization on all loaned securities were within the required 102% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the year. There was no credit risk exposure to the City at June 30, 2018.

Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

NOTE 4 – LOANS RECEIVABLE

Loans receivable consists of two types of loan programs as follows:

The Housing Loan Program provides funding commitments to project sponsors who meet specific criteria. This program is designed to leverage existing and future City, County, State and Federal funding streams to construct permanent supportive housing and affordable housing units. The principal and accrued interest is due and payable on the earliest of (a) fifty-five (55)/fifty-seven (57) year covenant from the date of the execution of the loan, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by Borrower. Interest at the rate of three percent (3%) per annum accrues on the principal amount outstanding from the date of the warrant, until paid.

The Facilities Loan Program provides funding for the development, acquisition or improvement of facilities used to provide supportive services or goods to or otherwise benefit those who are homeless, chronically homeless or at risk of homelessness. These loans will be a service repayment agreement with a term corresponding to the useful life of the facility. The provider is required to provide supportive services, goods, or other benefits to persons who are homeless for the greater of ten (10) years or fifty (50) percent of the facilities useful life. There are no Facilities Loan Program Loans Receivable at June 30, 2018.

Loans receivable consists of the following:

Project	Amount
PATH Metro Villas Phase 2	\$ 2,837,760
88th & Vermont	838,548
Total	<u>\$ 3,676,308</u>

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

In December 2017, the City entered into a loan agreement with Metro Villas Phase 2 Los Angeles, LP for an amount not to exceed \$3,513,721 and secured by a City Deed of Trust recorded against the property. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 360-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-five (55) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$2,837,760 includes interest of \$11,661 at June 30, 2018.

In March 2018, the City entered into a loan agreement with 88th & Vermont LP for an amount not to exceed \$9,680,000 and secured initially by a Fee and Leasehold Deed of Trust recorded against certain fee and leasehold parcels of the property, and further secured by the Deed of Trust recorded against the remaining fee parcels of the property. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-five (55) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$838,548 includes interest of \$344 at June 30, 2018.

No allowance for doubtful accounts has been established due to management's assessment that the loans are in their preliminary stage and will be rolled into the Permanent Supportive Housing Loan.

NOTE 5 – PROPOSITION HHH BOND

On July 13, 2017, the City issued taxable General Obligation Bonds (GOB) Series 2017-A in the principal amount of \$86,370,000 payable through September 1, 2037, with a premium of \$582,034 and interest rates ranging from 1.47% to 3.5%. The GOB is secured by and payable with property taxes. The first interest payment was due and paid on March 1, 2018 in the amount of \$1,567,497 and semiannually thereafter on September 1 and March 1 of each year until maturity. The outstanding balance at June 30, 2018 is \$86,370,000.

Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018
\$ -	\$ 86,370,000	\$ -	\$ 86,370,000

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6 – COMMITMENTS AND ENCUMBRANCES

At June 30, 2018, the following outstanding project loan encumbrances are as follows:

<u>Project</u>	<u>Amount</u>
88th & Vermont	
Housing	\$ 8,841,796
Youth and Community Center	3,245,154
PATH Metro Villas Phase 2	687,622
Total project encumbrances	\$ 12,774,572

At June 30, 2018, the CD 8 Navigation Center project, a City project, had an outstanding encumbrance of \$3,140,759.

At June 30, 2018, the following outstanding loan commitments are as follows:

<u>Project</u>	<u>Amount</u>
Six Four Nine Lofts	\$ 5,500,000
McCadden Plaza Youth Housing	5,018,298
Casa Del Sol	8,065,043
Flor 401 Lofts	11,980,000
Rise Apartments	9,500,000
SP7 Apartments	12,000,000
The Pointe on Vermont	7,900,000
South Campus	1,302,500
Joshua House Health Center	3,700,000
Corner of Hope	435,800
Homeless Vets at the Marion	220,765
Total loan commitments	\$ 65,622,406

NOTE 7 – SUBSEQUENT EVENTS

Bond Repayments for the GOB Series 2017-A

Principal and interest in the amount of \$4,320,000 and \$1,237,498, respectively were paid on September 1, 2018 and interest in the amount of \$1,205,746 was paid on March 1, 2019. On September 1, 2019, principal and interest were paid in the amount of \$4,320,000 and \$1,205,746, respectively.

Issuance of GOB Series 2018-A

On July 12, 2018, the City issued taxable General Obligation Bonds (GOB) Series 2018-A Proposition HHH in the principal amount of \$276,240,000 payable through June 2039 with a premium of \$1,112,660 and interest rates ranging from 2.90% to 4.0%. The GOB is secured by and payable with property taxes. The first interest payment was due and paid on March 1, 2019 in the amount of \$6,477,854 and semiannually thereafter on September 1 and March 1 of each year until maturity. On September 1, 2019, principal and interest were paid in the amount of \$13,815,000 and \$5,091,764, respectively.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 7 – SUBSEQUENT EVENTS (Continued)

Proposition HHH Commitments

Project commitments as of August 2019, for permanent supporting housing projects are approximately \$789,944,162 for 5,410 units and for facilities projects totaling \$49,724,219.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance related to the Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance related to the Funds. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
October 2, 2019

Appendix B – Proposition HHH Housing Developments



Project	Sun Commons - 6329 N CLYBOURN AVE CA 91606	Depot at Hyde Park - 6527 S CRENSHAW BLVD CA 90043	Adams Terrace - 4347 W ADAMS BLVD CA 90018	PATH Villas Hollywood - 5627 W FERNWOOD AVE HOLLYWOOD, CA 90028	Missouri & Bundy Housing - 11950 W MISSOURI AVE CA 90025
Developer	Abbey Road, Inc.	GTM Holdings, LLC; Women Organizing Resources, Knowledge and Services ("WORKS")	Abode Communities	PATH Ventures	Thomas Safran & Associates
CD	2	8	10	13	11
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	103	43	86	60	74
Studio	16	0	27	49	0
1 BR	29	21	57	10	40
2 BR	32	11	2	1	19
3 BR	26	11	0	0	15
Supportive Housing Units	51	25	43	59	44
Mgr Unit	2	1	2	1	1
HHH Amount	\$ 12,000,000	\$ 8,160,000	\$ 12,000,000	\$ 12,320,000	\$ 11,520,000
TDC Amount	\$ 53,017,962	\$ 25,116,685	\$ 42,363,034	\$ 41,337,495	\$ 44,649,982
Land Costs	\$ 4,568,890	\$ 2,425,000	\$ 3,241,000	\$ 3,586,750	\$ 250,000
Construction Costs	\$ 36,607,159	\$ 13,106,115	\$ 24,004,174	\$ 19,518,820	\$ 22,097,000
Soft Costs	\$ 11,841,913	\$ 9,585,570	\$ 15,117,860	\$ 18,231,925	\$ 22,302,982
TDC Per Unit	\$ 514,737	\$ 584,109	\$ 492,593	\$ 688,958	\$ 603,378
Construction Start Date	2/3/2020	1/3/2020	1/3/2020	11/11/2019	8/12/2019
Construction End Date	7/1/2021	7/6/2021	7/6/2021	6/4/2021	5/14/2021

Project	Isla de Los Angeles - 283 W IMPERIAL HWY CA 90061	Firmin Court - 418 N FIRMIN ST CA 90026	PATH Villas Montclair (New Site 1 of 2) - 4220 W MONT CLAIR ST CA 90018	Summit View Apartments - 11681 W FOOTHILL BLVD CA 91342	Building 205 - 11301 WILSHIRE BLVD CA 90073
Developer	Clifford Beers Housing; American Family Housing	Decro Corporation	PATH Ventures	11681 Foothill, L.P.	Figueroa Economical Housing Development Corporation
CD	8	1	10	7	11
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	54	64	46	49	67
Studio	54	29	45	37	36
1 BR	0	18	0	11	31
2 BR	0	13	1	1	0
3 BR	0	4	0	0	0
Supportive Housing Units	53	45	45	48	66
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 11,660,000	\$ 11,700,000	\$ 9,900,000	\$ 10,560,000	\$ 12,000,000
TDC Amount	\$ 23,728,229	\$ 39,399,058	\$ 31,320,269	\$ 26,464,827	\$ 37,994,432
Land Costs	\$ 1,325,000	\$ 2,600,000	\$ 5,288,077	\$ 255,000	\$ 11,000,000
Construction Costs	\$ 12,546,666	\$ 18,722,669	\$ 14,503,268	\$ 14,474,307	\$ 14,545,700
Soft Costs	\$ 9,856,563	\$ 18,076,389	\$ 11,528,924	\$ 11,735,520	\$ 12,448,732
TDC Per Unit	\$ 439,412	\$ 615,610	\$ 680,875	\$ 540,099	\$ 567,081
Construction Start Date	4/13/2020	11/1/2019	1/17/2020	11/1/2019	9/10/2019
Construction End Date	11/1/2021	6/4/2021	8/25/2021	6/18/2021	3/26/2021

Project	Building 208 - 11301 WILSHIRE BLVD #208 CA 90073	Hartford Villa Apartments - 445 S Hartford AVE Los Angeles, CA 90017	Aria Apartments (fka Cambria Apts) - 1532 W CAMBRIA ST CA 90017	McCadden Campus Senior (aka McCadden Plaza Senior) - 1127 N Las Palmas AVE Los Angeles, CA 90038	Residences on Main - 6901 S MAIN ST CA 90003
Developer	Figueroa Economical Housing Development Corporation	Single Room Occupancy Housing Corporation	Affirmed Housing Group, Inc	Thomas Safran & Associates	Residences on Main, L.P.
CD	11	1	1	4	9
Stage	Pre-development	Under Construction	Under Construction	Under Construction	Under Construction
Total Units	54	101	57	98	50
Studio	26	100	48	19	21
1 BR	28	1	8	75	15
2 BR	0	0	1	4	5
3 BR	0	0	0	0	9
Supportive Housing Units	53	100	56	25	49
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 11,660,000	\$ 12,000,000	\$ 12,000,000	\$ 5,500,000	\$ 10,780,000
TDC Amount	\$ 35,135,102	\$ 44,859,535	\$ 28,478,153	\$ 50,639,484	\$ 26,568,641
Land Costs	\$ 11,000,000	\$ 6,721,867	\$ 3,600,000	\$ 4,930,158	\$ 1,770,635
Construction Costs	\$ 13,077,720	\$ 22,787,876	\$ 14,361,784	\$ 23,316,800	\$ 14,117,693
Soft Costs	\$ 11,057,382	\$ 15,349,792	\$ 10,516,369	\$ 22,392,526	\$ 10,680,313
TDC Per Unit	\$ 650,650	\$ 444,154	\$ 499,617	\$ 516,729	\$ 531,373
Construction Start Date	9/10/2019	11/8/2018	12/5/2018	12/20/2018	4/2/2019
Construction End Date	3/26/2021	1/12/2021	9/30/2020	5/31/2020	10/30/2020

Project	Casa de Rosas Campus - 2600 S HOOVER ST CA 90007	Western Avenue Apartments - 5501 S WESTERN AVE CA 90062	Gramercy Place Apartments - 2375 W WASHINGTON BLVD CA 90018	Vermont Corridor Apartments (aka 433 Vermont Apts) - 433 S VERMONT AVE CA 90020	West Third Apartments - 1900 W 3RD ST CA 90057
Developer	WARD Economic Development Corporation	Figueroa Economical Housing Development Corporation	Hollywood Community Housing Corporation	Meta Housing Corporation	Figueroa Economical Housing Development Corporation
CD	9	8	10	10	1
Stage	Under Construction	Under Construction	Under Construction	Under Construction	Loan Closed
Total Units	37	33	64	72	137
Studio	15	34	0	0	137
1 BR	19	0	58	57	0
2 BR	3	0	6	15	0
3 BR	0	0	0	0	0
Supportive Housing Units	36	32	31	36	136
Mgr Unit	1	1	2	1	1
HHH Amount	\$ 7,920,000	\$ 4,660,033	\$ 9,920,000	\$ 7,200,000	\$ 10,291,998
TDC Amount	\$ 20,398,954	\$ 11,440,379	\$ 41,642,224	\$ 49,729,859	\$ 42,389,586
Land Costs	\$ 5,731,722	\$ 6,800,000	\$ 2,349,000	\$ 7,400,000	\$ 30,000,000
Construction Costs	\$ 7,601,916	\$ 1,427,250	\$ 22,220,443	\$ 29,627,645	\$ 4,753,900
Soft Costs	\$ 7,065,316	\$ 3,213,129	\$ 17,072,781	\$ 12,702,214	\$ 7,635,686
TDC Per Unit	\$ 551,323	\$ 346,678	\$ 650,660	\$ 690,692	\$ 309,413
Construction Start Date	3/13/2019	12/27/2018	4/30/2019	3/27/2019	12/27/2018
Construction End Date	5/4/2020	1/31/2020	1/20/2021	2/18/2021	3/31/2021

Project	Ingraham Villa Apartments - 1218 W INGRAHAM ST CA 90017	Rose Apartments - 720 E ROSE AVE CA 90291	Weingart Tower II (HHH PSH 1A) - 555 1/2 S CROCKER ST CA 90013	Bryson II - 2701 W WILSHIRE BLVD CA 90057	Weingart Tower (HHH PSH 1A) - 555 1/2 S CROCKER ST CA 90013
Developer	Ingraham Apartments, L.P.	Venice Community Housing Corporation	Chelsea Investment Corporation; Weingart Tower II, LP	Los Angeles Housing Partnership; The Richman Group of California Development Company	Chelsea Investment Corporation; Weingart Tower, LP
CD	1	11	14	1	14
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	121	35	144	64	134
Studio	120	30	122	32	106
1 BR	1	4	22	32	28
2 BR	0	1	0	0	0
3 BR	0	0	0	0	0
Supportive Housing Units	90	34	122	32	106
Mgr Unit	1	1	2	1	1
HHH Amount	\$ 12,000,000	\$ 7,308,489	\$ 16,000,000	\$ 10,095,000	\$ 16,000,000
TDC Amount	\$ 52,472,377	\$ 18,220,401	\$ 72,022,642	\$ 22,518,068	\$ 72,022,642
Land Costs	\$ 8,450,000	\$ 1,182,200	\$ 3,166,186	\$ 1,045,000	\$ 3,166,186
Construction Costs	\$ 27,396,323	\$ 10,783,516	\$ 41,552,193	\$ 11,950,000	\$ 41,552,193
Soft Costs	\$ 16,626,054	\$ 6,254,685	\$ 27,304,263	\$ 9,523,068	\$ 27,304,263
TDC Per Unit	\$ 433,656	\$ 520,583	\$ 500,157	\$ 351,845	\$ 537,482
Construction Start Date	5/23/2020	4/13/2020	4/3/2020	1/6/2020	4/3/2020
Construction End Date	12/1/2021	11/11/2021	9/1/2021	8/2/2021	9/1/2021

Project	67th & Main Street - 6706 S MAIN ST CA 90003	68th & Main Street - 6714 S MAIN ST CA 90003	Emerson Apartments (fka Melrose Apartments) - 4766 W MELROSE AVE CA 90029	Metamorphosis on Foothill - 13574 W FOOTHILL BLVD CA 91342	Rosa De Castilla Apartments - 4208 E HUNTINGTON DR SOUTH CA 90032
Developer	Coalition for Responsible Community Development	Coalition for Responsible Community Development	Affirmed Housing Group, Inc.	Clifford Beers Housing Inc	East LA Community Corporation
CD	9	9	13	7	14
Stage	Pre-development	Pre-development	Pre-development	Under Construction	Under Construction
Total Units	52	60	43	48	85
Studio	0	29	30	25	9
1 BR	0	30	12	22	55
2 BR	39	1	1	1	11
3 BR	13	0	0	0	10
Supportive Housing Units	26	59	42	47	63
Mgr Unit	1	1	1	1	2
HHH Amount	\$ 7,180,000	\$ 12,000,000	\$ 8,360,000	\$ 10,340,000	\$ 12,000,000
TDC Amount	\$ 32,485,590	\$ 25,852,727	\$ 29,298,093	\$ 23,795,012	\$ 49,065,112
Land Costs	\$ 3,770,965	\$ 3,770,965	\$ 3,625,000	\$ 160,000	\$ 4,564,700
Construction Costs	\$ 15,852,601	\$ 15,852,601	\$ 12,160,881	\$ 14,802,934	\$ 28,447,384
Soft Costs	\$ 12,862,024	\$ 6,229,161	\$ 13,512,212	\$ 8,832,078	\$ 16,053,028
TDC Per Unit	\$ 624,723	\$ 430,879	\$ 681,351	\$ 495,729	\$ 577,237
Construction Start Date	5/22/2020	1/6/2020	11/1/2019	2/27/2019	5/2/2019
Construction End Date	12/1/2021	7/14/2021	6/18/2021	10/27/2020	10/1/2020

Project	Broadway Apartments - 301 W 49TH ST 1-30 CA 90037	Grandview Apartments - 714 S GRAND VIEW ST CA 90057	Southside Seniors - 1655 W MANCHESTER AVE CA 90047	Temple View - 3200 W TEMPLE ST CA 90026	The Brine Residential - 1829 N HANCOCK ST CA 90031
Developer	Figueroa Economical Housing Development Corporation	Abode Communities	Innovative Housing Opportunities; John Stanley, Inc.; Concerned Citizens Community Involvement	LINC Housing Corporation	Decro Corporation
CD	9	1	8	13	1
Stage	Loan Closed	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	35	100	50	64	97
Studio	26	0	18	63	62
1 BR	8	53	32	0	29
2 BR	1	28	0	1	6
3 BR	0	19	0	0	0
Supportive Housing Units	34	54	36	58	49
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 4,443,480	\$ 12,000,000	\$ 9,320,000	\$ 12,760,000	\$ 11,560,000
TDC Amount	\$ 11,520,534	\$ 63,975,453	\$ 24,801,907	\$ 28,920,289	\$ 49,521,687
Land Costs	\$ 700,000	\$ 7,597,100	\$ 2,166,000	\$ 2,295,000	\$ 3,509,936
Construction Costs	\$ 1,513,750	\$ 35,085,443	\$ 14,569,622	\$ 17,141,276	\$ 26,935,458
Soft Costs	\$ 9,306,784	\$ 21,292,910	\$ 8,066,285	\$ 9,484,013	\$ 19,076,293
TDC Per Unit	\$ 329,158	\$ 639,755	\$ 496,038	\$ 451,880	\$ 510,533
Construction Start Date	6/6/2019	12/7/2020	3/2/2020	1/31/2020	3/18/2020
Construction End Date	3/31/2021	6/1/2022	9/15/2021	8/13/2021	10/1/2021

Project	Washington View Apartments - 1912 S BONSalLO AVE CA 90007	The Pointe on La Brea - 843 N LA BREA AVE CA 90038	Reseda Theater Senior Housing (Canby Woods West) - 7221 N CANBY AVE CA 91335	Main Street Apartments - 5501 S MAIN ST CA 90037	Berendo Sage - 1035 S BERENDO ST CA 90006
Developer	Western Pacific Housing, LLC	EAH INC	Thomas Safran & Associates	Highridge Costa Development Company, LLC	West Hollywood Community Housing Corporation
CD	1	5	3	9	1
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	122	50	26	57	42
Studio	26	49	0	42	8
1 BR	95	0	24	1	22
2 BR	1	1	2	14	6
3 BR	0	0	0	0	6
Supportive Housing Units	91	49	13	56	21
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 12,000,000	\$ 8,624,000	\$ 4,060,000	\$ 8,512,000	\$ 6,620,000
TDC Amount	\$ 50,363,460	\$ 25,785,374	\$ 12,882,549	\$ 32,824,507	\$ 26,813,981
Land Costs	NA	\$ 5,215,000	\$ 1,210,000	\$ 3,271,000	\$ 2,100,000
Construction Costs	NA	\$ 12,387,557	\$ 6,269,000	\$ 20,040,522	\$ 14,552,036
Soft Costs	NA	\$ 8,182,817	\$ 5,403,549	\$ 9,512,985	\$ 10,161,945
TDC Per Unit	\$ 412,815	\$ 515,707	\$ 495,483	\$ 575,869	\$ 638,428
Construction Start Date	1/17/2020	3/2/2020	1/31/2020	3/6/2020	1/31/2020
Construction End Date	7/1/2021	9/15/2021	8/16/2021	9/15/2021	11/1/2021

Project	The Dahlia (aka South Main Street Apartments) - 12003 S MAIN ST CA 90061	Montecito II Senior Housing - 6668 W FRANKLIN AVE HOLLYWOOD, CA 90028	Serenity - 923 S KENMORE AVE CA 90006	Solaris - 1141 S CRENSHAW BLVD CA 90019	Talisa - 9502 N VAN NUYS BLVD CA 91402
Developer	Affirmed Housing Group, Inc.	Thomas Safran & Associates	Domus GP LLC	Domus GP LLC	Domus GP LLC
CD	15	13	10	10	6
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	56	64	75	43	49
Studio	43	28	40	0	0
1 BR	12	36	35	23	5
2 BR	1	0	0	16	30
3 BR	0	0	0	4	14
Supportive Housing Units	55	32	74	42	48
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 12,000,000	\$ 10,140,000	\$ 13,520,000	\$ 9,240,000	\$ 10,560,000
TDC Amount	\$ 29,767,145	\$ 38,463,674	\$ 37,551,673	\$ 24,403,352	\$ 29,458,224
Land Costs	\$ 1,675,000	\$ 170,000	\$ 6,758,690	\$ 3,650,000	\$ 5,100,000
Construction Costs	\$ 18,160,881	\$ 23,729,500	\$ 23,349,241	\$ 13,590,751	\$ 14,859,900
Soft Costs	\$ 9,931,264	\$ 14,564,174	\$ 7,443,742	\$ 7,162,601	\$ 9,498,324
TDC Per Unit	\$ 531,556	\$ 600,995	\$ 500,689	\$ 567,520	\$ 601,188
Construction Start Date	3/2/2020	1/31/2020	3/2/2020	3/18/2020	3/18/2020
Construction End Date	9/15/2021	8/16/2021	9/15/2021	10/1/2021	10/1/2021

Project	Deepwater - 1424 N DEEPWATER AVE CA 90744	PICO - 4200 W PICO BLVD CA 90019	Santa Monica & Vermont Apartments Phase 2 - 4718 W SANTA MONICA BLVD CA 90029	Sherman Oaks Senior - 14536 W BURBANK BLVD VAN NUYS, CA 91411	11408 S Central Ave - 11408 S CENTRAL AVE CA 90059
Developer	LINC Community Development Corporation	Wakeland Housing and Development Corporation	SMV Housing, L.P.	Mercy Housing California	LINC Housing Corporation
CD	15	10	13	4	15
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	56	54	93	55	64
Studio	0	53	32	54	0
1 BR	55	1	37	1	63
2 BR	1	0	22	0	0
3 BR	0	0	2	0	1
Supportive Housing Units	55	53	47	54	63
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 12,100,000	\$ 11,410,000	\$ 12,000,000	\$ 11,880,000	\$ 10,112,000
TDC Amount	\$ 28,277,269	\$ 30,585,648	\$ 54,922,118	\$ 26,287,515	\$ 34,090,083
Land Costs	\$ 1,385,000	NA	\$ 7,382,826	\$ 2,854,446	\$ 3,090,000
Construction Costs	\$ 16,955,280	NA	\$ 32,362,057	\$ 13,814,823	\$ 19,795,232
Soft Costs	\$ 9,936,989	NA	\$ 15,177,235	\$ 9,618,246	\$ 11,204,851
TDC Per Unit	\$ 504,951	\$ 566,401	\$ 590,560	\$ 477,955	\$ 532,658
Construction Start Date	3/18/2020	6/17/2020	12/1/2020	5/18/2020	5/25/2020
Construction End Date	10/1/2021	1/7/2022	12/1/2022	12/1/2021	11/30/2021

Project	Enlightenment Plaza - Phase I - 316 N JUANITA AVE CA 90004	Los Lirios Apartments - 119 S SOTO ST CA 90033	Normandie 84 - 8401 S NORMANDIE AVE CA 90044	Weingart Tower 1B - HHH PSH - 554 S SAN PEDRO ST CA 90013	Vermont/Manchester - 8400 S VERMONT AVE CA 90044
Developer	Flexible PSH Solutions	BRIDGE Housing Corporation; BRIDGE Housing Corporation	Gospel Truth CDC, Inc.; Innovative Housing Opportunities; John Stanley, Inc.	Weingart Tower 1B, LP; Chelsea Investment Corporation	BRIDGE Housing Corporation; Coalition for Responsible Community Development
CD	13	14	8	14	8
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	105	64	42	104	180
Studio	83	13	10	103	N/A
1 BR	20	18	32	1	N/A
2 BR	2	17	0	0	N/A
3 BR	0	16	0	0	N/A
Supportive Housing Units	103	20	34	83	90
Mgr Unit	2	1	1	1	2
HHH Amount	\$ 9,600,000	\$ 2,000,000	\$ 8,180,000	\$ 16,000,000	\$ 12,400,000
TDC Amount	\$ 40,101,000	\$ 35,719,050	\$ 18,849,299	\$ 64,622,612	\$ 41,203,528
Land Costs	NA	\$ 1,280,000	\$ 1,293,000	\$ 2,420,000	\$ 15,000
Construction Costs	NA	\$ 24,885,942	\$ 11,478,916	\$ 40,347,367	\$ 25,670,366
Soft Costs	NA	\$ 9,553,108	\$ 6,077,383	\$ 21,855,245	\$ 15,518,162
TDC Per Unit	\$ 381,914	\$ 558,110	\$ 448,793	\$ 621,371	\$ 228,908
Construction Start Date	4/3/2020	12/2/2020	5/18/2020	11/17/2020	5/18/2020
Construction End Date	10/16/2021	7/20/2022	12/1/2021	6/1/2022	12/1/2021

Project	First and Boyle - 100 S BOYLE AVE CA 90033	Sun King Apartments - 12128 SHELDON ST Los Angeles, CA 91352	La Veranda - 2420 E CESAR E CHAVEZ AVE CA 90033	6th and San Julian - 401 E 6TH ST CA 90014	Ambrosia - 823 W MANCHESTER AVE CA 90044
Developer	Many Mansions, a California nonprofit corporation; Azure Development Inc.	MANY MANSIONS	Abode Communities	Mercy Housing California	The Skid Row Housing Trust
CD	14	6	14	14	8
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	44	26	77	94	100
Studio	19	0	0	0	99
1 BR	19	12	0	93	0
2 BR	6	11	54	1	1
3 BR	0	3	23	0	0
Supportive Housing Units	43	25	38	75	80
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 9,460,000	\$ 5,500,000	\$ 9,120,000	\$ 15,320,000	\$ 15,900,000
TDC Amount	\$ 24,270,021	\$ 14,615,050	\$ 53,111,065	\$ 53,866,560	\$ 54,957,044
Land Costs	\$ 1,636,750	\$ 800,000	\$ 7,240,000	\$ 6,225,500	\$ 6,256,196
Construction Costs	\$ 13,223,077	\$ 8,603,147	\$ 28,946,150	\$ 24,827,095	\$ 27,446,401
Soft Costs	\$ 9,410,194	\$ 5,211,903	\$ 16,924,915	\$ 22,813,965	\$ 21,254,447
TDC Per Unit	\$ 551,591	\$ 562,117	\$ 689,754	\$ 573,049	\$ 549,570
Construction Start Date	5/8/2020	5/18/2020	5/18/2020	5/18/2020	12/1/2020
Construction End Date	7/2/2021	12/1/2021	12/1/2021	12/1/2021	6/1/2022

Project	Santa Monica & Vermont Apartments Phase 1 4718 W SANTA MONICA BLVD CA 90029	Confianza - 14142 W VANOWEN ST VAN NUYS, CA 91405	4719 Normandie - 4719 S NORMANDIE AVE CA 90037	Sylmar II - 12667 N SAN FERNANDO ROAD CA 91342	Mariposa Lily - 1055 S MARIPOSA AVE CA 90006
Developer	SMV Housing, L.P.	The Skid Row Housing Trust	Wakeland Housing and Development Corporation	Sylmar II, LP; Meta Housing Corporation	West Hollywood Community Housing Corporation
CD	13	2	8	7	1
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	94	71	43	56	41
Studio	31	70	42	53	10
1 BR	38	0	1	3	15
2 BR	22	1	0	0	11
3 BR	3	0	0	0	5
Supportive Housing Units	47	70	42	45	20
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 12,000,000	\$ 13,200,000	\$ 8,990,000	\$ 10,900,000	\$ 5,120,000
TDC Amount	\$ 54,930,603	\$ 37,040,803	\$ 25,079,176	\$ 25,088,985	\$ 28,743,963
Land Costs	\$ 7,382,826	\$ 3,541,613	NA	\$ 2,001,090	\$ 2,130,000
Construction Costs	\$ 32,362,052	\$ 19,462,456	NA	\$ 13,009,933	\$ 15,413,997
Soft Costs	\$ 15,185,725	\$ 14,036,734	NA	\$ 10,077,962	\$ 11,199,966
TDC Per Unit	\$ 584,368	\$ 521,701	\$ 583,237	\$ 448,018	\$ 701,072
Construction Start Date	12/1/2020	6/1/2020	5/18/2020	5/18/2020	4/15/2020
Construction End Date	12/1/2022	12/1/2021	12/1/2021	12/1/2021	1/15/2022

Project	Asante Apartments - 11001 S BROADWAY CA 90061	803 E. 5th St - 803 E 5TH ST CA 90013	Watts Works - 9502 S COMPTON AVE CA 90002	410 E. Florence Avenue - 410 E FLORENCE AVE CA 90003	Colorado East - 2453 W COLORADO BLVD CA 90041
Developer	Affirmed Housing Group, Inc.	Coalition for Responsible Community Development	NEIGHBORHOOD WORKS 9502 DEVELOPMENT, LLC; Decro Corporation	Unique Construction & Development, Inc.	DDCM Incorporated; RCC MGP LLC
CD	8	14	15	9	14
Stage	Pre-development	Pre-development	Pre-development	Pre-development	Pre-development
Total Units	55	95	25	51	41
Studio	35	94	25	50	0
1 BR	19	0	0	0	26
2 BR	1	1	0	1	14
3 BR	0	0	0	0	1
Supportive Housing Units	54	94	24	50	40
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 11,880,000	\$ 15,120,000	\$ 2,400,000	\$ 7,000,000	\$ 8,800,000
TDC Amount	\$ 28,204,968	\$ 37,960,970	\$ 9,340,000	\$ 15,719,266	\$ 22,149,944
Land Costs	\$ 1,615,000	\$ 12,600,000	\$ 403,500	\$ 1,048,066	\$ 3,820,000
Construction Costs	\$ 17,210,881	\$ 16,438,800	\$ 5,150,433	\$ 12,469,000	\$ 12,396,300
Soft Costs	\$ 9,379,087	\$ 8,922,170	\$ 3,886,067	\$ 2,202,200	\$ 5,933,644
TDC Per Unit	\$ 512,818	\$ 399,589	\$ 373,600	\$ 308,221	\$ 540,243
Construction Start Date	2/1/2020	10/15/2019	10/1/2019	10/1/2019	9/16/2019
Construction End Date	7/30/2021	7/21/2021	4/15/2021	4/15/2021	7/14/2021

Project	The Pointe on Vermont - 7600 S VERMONT AVE CA 90044	SP7 Apartments - 519 E 7TH ST CA 90014	McCadden Plaza Youth Housing - 1136 N MCCADDEN PL CA 90038	RISE Apartments - 4050 S FIGUEROA ST CA 90037	Casa del Sol - 10966 W RATNER ST CA 91352
Developer	EAH INC	Skid Row Housing Trust	Thomas Safran & Associates	Highridge Costa Development Company, LLC; Single Room Occupancy Housing Corporation	A Community of Friends
CD	8	14	4	9	6
Stage	Under Construction	Under Construction	Under Construction	Under Construction	Under Construction
Total Units	50	100	26	57	44
Studio	8	99	26	56	17
1 BR	27	0	0	1	26
2 BR	8	1	0	0	1
3 BR	7	0	0	0	0
Supportive Housing Units	25	55	25	56	43
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 7,900,000	\$ 12,000,000	\$ 5,018,298	\$ 9,500,000	\$ 8,065,143
TDC Amount	\$ 27,262,166	\$ 49,879,526	\$ 13,036,552	\$ 31,744,893	\$ 21,789,065
Land Costs	\$ 1,120,000	\$ 5,287,785	\$ 1,425,000	\$ 1,845,065	\$ 1,900,000
Construction Costs	\$ 14,672,420	\$ 15,050,676	\$ 7,586,261	\$ 13,347,487	\$ 10,893,009
Soft Costs	\$ 11,469,746	\$ 29,541,065	\$ 4,025,291	\$ 16,552,341	\$ 8,996,056
TDC Per Unit	\$ 545,243	\$ 498,795	\$ 501,406	\$ 556,928	\$ 495,206
Construction Start Date	6/27/2019	9/28/2018	9/24/2018	10/30/2018	9/27/2018
Construction End Date	12/14/2020	11/6/2020	11/6/2020	7/31/2020	4/1/2020

Project	FLOR 401 Lofts - 401 E 7TH ST CA 90014	649 LOFTS (aka Six Four Nine Lofts) - 649 S WALL ST CA 90014	PATH Metro Villas Phase 2 - 320 N MADISON AVE CA 90004	88th & Vermont - 8730 S VERMONT AVE CA 90044	Hope on 6th - 576 W. 6th Street Los Angeles, CA 90731
Developer	Skid Row Housing Trust	Skid Row Housing Trust	PATH Ventures	Women Organizing Resources, Knowledge and Services	1010 Development Corporation
CD	14	14	13	8	15
Stage	Under Construction	Under Construction	Under Construction	Under Construction	Under Review (as of Sep 30, 2019)
Total Units	99	55	122	62	49
Studio	98	54	60	12	15
1 BR	0	0	60	20	16
2 BR	1	1	2	24	18
3 BR	0	0	0	6	0
Supportive Housing Units	49	28	90	46	31
Mgr Unit	1	1	2	2	1
HHH Amount	\$ 11,980,000	\$ 5,500,000	\$ 3,513,721	\$ 9,680,000	\$ 6,040,000
TDC Amount	\$ 49,687,818	\$ 28,407,343	\$ 55,050,829	\$ 34,069,046	\$ 28,615,371
Land Costs	\$ 6,060,000	\$ 2,109,420	\$ 4,000,000	\$ 4,496,025	\$ 1,207,285
Construction Costs	\$ 20,240,844	\$ 15,498,918	\$ 30,441,256	\$ 17,048,602	NA
Soft Costs	\$ 23,386,974	\$ 10,799,005	\$ 20,609,573	\$ 12,524,419	NA
TDC Per Unit	\$ 501,897	\$ 516,497	\$ 451,236	\$ 549,501	\$ 583,987
Construction Start Date	12/4/2018	12/19/2017	12/13/2017	3/28/2018	4/1/2020
Construction End Date	10/16/2020	10/16/2019	3/20/2020	11/30/2019	10/1/2021

Project	Silver Star II - 6576-6604 S. West Boulevard Los Angeles, CA 90043	Lorena Plaza - 3401 East 1st Street, Los Angeles, CA 90063	The Main - 15302 W. Rayen Street Los Angeles, CA 91343	The Rigby - 15314 W. Rayen Street Los Angeles, CA 91343	Chavez & Fickett - 338 N. Mathews Street Los Angeles, CA 90033
Developer	A Community of Friends	A Community of Friends	Abbey Road, Inc.	Abbey Road, Inc.	Abode Communities
CD	8	14	6	6	14
Stage	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)
Total Units	64	49	64	64	60
Studio	14	3	12	12	0
1 BR	29	18	20	20	20
2 BR	20	20	20	20	25
3 BR	1	8	12	12	15
Supportive Housing Units	56	32	33	33	30
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 6,404,900	\$ 2,903,202	\$ 6,795,000	\$ 6,795,000	\$ 6,300,000
TDC Amount	\$ 26,623,932	\$ 25,819,084	\$ 41,018,669	\$ 41,970,484	\$ 41,186,592
Land Costs	\$ 2,400,000	\$ 2,030,000	\$ 2,875,000	\$ 2,875,000	\$ 3,060,000
Construction Costs	NA	NA	NA	NA	NA
Soft Costs	NA	NA	NA	NA	NA
TDC Per Unit	\$ 415,999	\$ 526,920	\$ 640,917	\$ 655,789	\$ 686,443
Construction Start Date	7/1/2020	12/20/2020	3/1/2021	8/1/2020	1/1/2022
Construction End Date	12/1/2021	6/1/2022	12/1/2022	5/1/2022	10/1/2023

Project	Hope on Hyde Park - 6501 S. Crenshaw Boulevard, Los Angeles, CA 90043	Hope on Broadway - 5138 S. Broadway Los Angeles, CA 90037	Topanga Apartments - 10243 North Topanga Canyon Boulevard Los Angeles, CA 91311	Barry Apartments - 2454 S. Barry Avenue, Los Angeles, CA 90064	2745-2759 Francis Ave - 2745- 2759 Francis Avenue Los Angeles, CA 90005
Developer	Aedis	Aedis	Affirmed Housing Group, Inc.	Affirmed Housing Group, Inc.	Affordable Housing CDC, Inc.
CD	8	9	12	11	1
Stage	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)
Total Units	98	49	64	61	64
Studio	74	48	63	32	0
1 BR	24	1	0	17	63
2 BR	0	0	1	9	1
3 BR	0	0	0	3	0
Supportive Housing Units	97	48	63	34	63
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 9,280,000	\$ 6,720,000	\$ 8,290,800	\$ 6,918,400	\$ 6,610,000
TDC Amount	\$ 40,093,334	\$ 22,162,568	\$ 28,617,938	\$ 31,932,359	\$ 30,851,806
Land Costs	\$ 3,500,000	\$ 1,500,000	\$ 1,500,000	\$ 4,200,000	\$ 6,000,000
Construction Costs	NA	NA	NA	NA	NA
Soft Costs	NA	NA	NA	NA	NA
TDC Per Unit	\$ 409,116	\$ 452,297	\$ 447,155	\$ 523,481	\$ 482,059
Construction Start Date	10/1/2019	10/1/2019	2/1/2021	3/1/2021	9/1/2020
Construction End Date	9/1/2020	9/1/2020	8/1/2022	9/1/2022	1/1/2022

Project	537-541 N. Western Ave. - 541 N. Western Avenue Los Angeles, CA 90004	841 N. Banning - 841 N. Banning Boulevard Los Angeles, CA 90744	Westlake Housing (The Lake House) - 437 S. Westlake Avenue, Los Angeles, CA 90057	NoHo 5050 - 5050 - 5050 Yz N. Bakman Ave., Los Angeles, CA 91601	Florence Ave Apartments - 2160,2164,2172 W Florence Avenue Los Angeles, CA 90047
Developer	Affordable Housing CDC, Inc.	Century Affordable Development, Inc.	Community Development Partners	Decro Corporation	Deep Green Housing and Community Development
CD	4	15	1	2	8
Stage	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)
Total Units	64	64	63	40	56
Studio	27	0	28	4	25
1 BR	36	63	35	28	31
2 BR	1	1	0	8	0
3 BR	0	0	0	0	0
Supportive Housing Units	63	63	62	32	55
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 6,614,118	\$ 8,000,000	\$ 6,510,000	\$ 3,833,200	\$ 6,300,000
TDC Amount	\$ 30,997,101	\$ 31,648,058	\$ 34,270,198	\$ 17,564,853	\$ 29,669,115
Land Costs	\$ 6,000,000	\$ 3,500,000	\$ 4,490,000	\$ 1,750,000	\$ 435,000
Construction Costs	NA	NA	NA	NA	NA
Soft Costs	NA	NA	NA	NA	NA
TDC Per Unit	\$ 484,330	\$ 494,501	\$ 543,971	\$ 439,121	\$ 529,806
Construction Start Date	9/1/2020	9/1/2020	11/1/2020	7/1/2020	11/1/2020
Construction End Date	3/1/2022	5/1/2022	3/1/2022	1/1/2022	9/1/2022

Project	1615 Montana Street - 1615 W. Montana St., Los Angeles, CA 90292	4507 Main Street - 4505-4507 South Main Street, Los Angeles, CA 90037	7650 Van Nuys - 7650 N. Van Nuys Boulevard Los Angeles, CA 91405	Sepulveda Apartments - 8428 N Sepulveda Boulevard, Los Angeles, CA 91343	Sherman Way Apt. Preservation - 13561 W. Sherman Way, Los Angeles, CA 91405
Developer	Domus GP LLC	EAH Housing Inc.	EAH Housing Inc.	Figueroa Economical Housing Dev. Corp.	Figueroa Economical Housing Dev. Corp.
CD	13	9	2	6	2
Stage	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)
Total Units	64	64	96	76	56
Studio	49	18	47	75	55
1 BR	14	45	48	1	0
2 BR	1	1	1	0	1
3 BR	0	0	0	0	0
Supportive Housing Units	63	33	49	75	55
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 6,614,000	\$ 7,239,000	\$ 11,460,000	\$ 10,500,000	\$ 7,700,000
TDC Amount	\$ 30,913,179	\$ 24,839,171	\$ 47,426,085	\$ 29,821,884	\$ 20,808,990
Land Costs	\$ 6,200,000	\$ 3,275,000	\$ 5,500,000	\$ 3,074,100	\$ 1,456,800
Construction Costs	NA	NA	NA	NA	NA
Soft Costs	NA	NA	NA	NA	NA
TDC Per Unit	\$ 483,018	\$ 388,112	\$ 494,022	\$ 392,393	\$ 371,589
Construction Start Date	10/1/2020	9/1/2020	10/1/2020	1/1/2020	1/1/2020
Construction End Date	4/1/2022	1/1/2021	4/1/2022	8/1/2020	7/1/2020

Project	Enlightenment Plaza - Phase II - 316 N. Juanita Avenue, Los Angeles, CA 90004	Central Apartments - 2106,2108,2112 S Central Avenue Los Angeles, CA 90011	SOLA at 87th - 8707 S Western Avenue Los Angeles, CA 90047	The Angel - 8547 N. Sepulveda Boulevard, Los Angeles, CA 91343	Westlake 619 - 619,623 S Westlake Avenue Los Angeles, CA 90057
Developer	Flexible PSH Solutions	Highridge Costa Development Company	Innovative Housing Opportunities, Inc.	LA Family Housing	Meta Housing Corporation
CD	13	9	8	6	1
Stage	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)
Total Units	72	57	100	54	78
Studio	65	56	0	53	0
1 BR	6	1	51	0	36
2 BR	1	0	44	1	20
3 BR	0	0	5	0	22
Supportive Housing Units	71	56	51	53	30
Mgr Unit	1	1	2	1	1
HHH Amount	\$ 9,940,000	\$ 7,840,000	\$ 9,000,000	\$ 5,565,000	\$ 3,149,580
TDC Amount	\$ 29,956,000	\$ 30,227,967	\$ 61,952,493	\$ 28,226,850	\$ 34,276,576
Land Costs	\$ 4,320,000	\$ 3,300,000	\$ 7,600,000	\$ 1,800,000	NA
Construction Costs	NA	NA	NA	NA	NA
Soft Costs	NA	NA	NA	NA	NA
TDC Per Unit	\$ 416,056	\$ 530,315	\$ 619,525	\$ 522,719	\$ 439,443
Construction Start Date	7/1/2020	3/1/2020	3/1/2021	11/1/2020	6/1/2020
Construction End Date	10/1/2021	10/1/2021	6/1/2022	5/1/2022	10/1/2021

Project	Bell Creek Apartments - 6940 N. Owensmouth Avenue Los Angeles, CA 91303	Washington Arts Collective - 4600,4601,4609,4615 W Washington Boulevard Los Angeles, CA 90016	5th Street PSH - 411 E. 5th Street, Los Angeles, CA 90013	West LA VA Campus Bldg #207 - 11301 Wilshire Blvd. #207 Los Angeles, CA 90025	Thatcher Yard Housing - 3233 S. Thatcher Avenue Los Angeles, CA 90292
Developer	Meta Housing Corporation	Meta Housing Corporation	Relevant Group	Thomas Safran & Associates	Thomas Safran & Associates
CD	3	10	14	N/A	11
Stage	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)
Total Units	80	56	35	64	98
Studio	0	0	0	57	0
1 BR	40	30	35	7	76
2 BR	20	11	0	0	13
3 BR	20	15	0	0	9
Supportive Housing Units	41	20	34	63	49
Mgr Unit	1	1	1	1	1
HHH Amount	\$ 6,226,546	\$ 2,097,200	\$ 4,760,000	\$ 8,820,000	\$ 11,660,000
TDC Amount	\$ 39,949,602	\$ 29,780,273	\$ 11,657,496	\$ 31,367,161	\$ 54,684,712
Land Costs	\$ 4,560,000	NA	\$ 903,974	NA	NA
Construction Costs	NA	NA	NA	NA	NA
Soft Costs	NA	NA	NA	NA	NA
TDC Per Unit	\$ 499,370	\$ 531,791	\$ 333,071	\$ 490,112	\$ 558,007
Construction Start Date	5/1/2020	3/1/2020	3/1/2020	2/1/2020	3/1/2021
Construction End Date	2/1/2022	8/1/2021	3/1/2021	7/1/2021	3/1/2023

Project	Lincoln Apartments - 2467 S. Lincoln Blvd., Los Angeles, CA 90291	4906-4926 Santa Monica - 4912 W. Santa Monica Boulevard Los Angeles, CA 90029	2652 Pico Apartments - 2652 W. Pico Boulevard Los Angeles, CA 90006	11010 Santa Monica Blvd - 11010 Santa Monica Boulevard Los Angeles, CA 90025
Developer	Venice Community Housing Corporation	Wakeland Housing & Development Corp.	Wakeland Housing & Development Corp.	Weingart Center Association and Valued Housing
CD	11	13	1	5
Stage	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)	Under Review (as of Sep 30, 2019)
Total Units	40	62	54	51
Studio	28	61	53	50
1 BR	9	0	0	0
2 BR	3	1	1	1
3 BR	0	0	0	0
Supportive Housing Units	39	61	53	50
Mgr Unit	1	1	1	1
HHH Amount	\$ 5,460,000	\$ 5,225,000	\$ 3,550,000	\$ 7,000,000
TDC Amount	\$ 19,537,023	\$ 36,038,114	\$ 29,992,408	\$ 19,943,017
Land Costs	\$ 3,100,000	\$ 6,400,000	\$ 4,100,000	NA
Construction Costs	NA	NA	NA	NA
Soft Costs	NA	NA	NA	NA
TDC Per Unit	\$ 488,426	\$ 581,260	\$ 555,415	\$ 391,040
Construction Start Date	9/1/2020	3/1/2020	6/1/2020	7/1/2020
Construction End Date	1/1/2022	6/1/2021	9/1/2021	4/1/2021